

INTERPRETATION NOTE: NO. 40 (Issue 3)

DATE: 24 March 2016

ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991
SECTIONS : SECTIONS 1(1), 7, 8, 9, 10, 11, 12, 13 AND 18 AND ITEM 498.00 IN PARAGRAPH 8 of SCHEDULE 1
SUBJECT : VAT TREATMENT OF THE SUPPLY OF GOODS OR SERVICES TO AND/OR FROM A CUSTOMS CONTROLLED AREA OF AN INDUSTRIAL DEVELOPMENT ZONE

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Preamble

Due to the length of this interpretation note, the complexity of the issues discussed, and supporting legislation, an exposition of the contents is provided below for easy reference.

In this Note, unless the context indicates otherwise –

- **“Customs control”** means measures applied to ensure compliance with the customs and excise laws and procedures;
- **“CCA”** means a customs controlled area;
- **“CCAE”** means a customs controlled area enterprise, being a company holding a valid IDZ enterprise permit issued by the Manufacturing Development Board and a CCAE must be a vendor for VAT purposes (for example an industrial development zone enterprise);
- **“CCAE Rebate Manufacturer”** means a CCAE operating a licensed Customs and Excise manufacturing warehouse in a CCA;
- **“CCAE Rebate Stockist”** means a CCAE operating a special licensed Customs and Excise warehouse in order to supply registered rebate manufacturers with rebated goods;
- **“CCAE Storage Warehouse”** means a CCAE operating a licensed Customs and Excise storage warehouse in a CCA;
- **“Constitution”** means the Constitution of South Africa, 1996;
- **“Customs and Excise Act”** means the Customs and Excise Act, 1964 (Act No. 91 of 1964);
- **“foreign supplier”** means any person resident or conducting business in an export country including Botswana, Lesotho, Namibia and Swaziland;
- **“IDZ”** means an industrial development zone;
- **“IDZ Operator”** refers to an industrial development zone operator;
- **“IN30”** refers to Interpretation Note No.30 (Issue 3) dated 5 May 2014;
- **“IN31”** refers to Interpretation Note No.31 (Issue 4) dated 9 March 2016;
- **“licensed Customs and Excise manufacturing warehouse”** means a warehouse licensed by the Commissioner at any place appointed for that purpose under the provisions of the Customs and Excise Act, which has been approved by the Commissioner for the manufacture of goods as may be approved in respect of that warehouse;
- **“qualifying purchaser”** refers to the term “qualifying purchaser” as defined in the Regulation;
- **“receiving vendor”** means a vendor in the Republic receiving a supply of goods or services;

- “**recipient**” means the person to whom the supply of movable goods in terms of a sale or instalment credit agreement is made;
- “**Regulation**” refers to the Regulation issued under section 74(1) read with paragraph (d) of the definition of exported in section 1(1) of the VAT Act set out in terms of Government Notice No. R316 (published in *Government Gazette* No. 37580 dated 2 May 2014);
- “**Republic**” means the Republic of South Africa;
- “**RSA Rebate Manufacturer**” means a vendor who owns movable goods that are in a licensed Customs and Excise manufacturing warehouse located in the Republic but outside a CCA;
- “**RSA Storage Warehouse**” means a vendor who owns movable goods that are in a licensed Customs and Excise storage warehouse located in the Republic but outside a CCA;
- “**sections**” refer to sections of the VAT Act;
- “**standard rate**” refers to VAT levied on a supply of goods or services at the rate of 14% under section 7(1) of the VAT Act;
- “**supplying vendor**” means a vendor in the Republic supplying goods or services to a CCAE or an IDZ Operator;
- “**VAT**” refers to value-added tax;
- “**VAT Act**” refers to the Value-Added Tax Act No. 89 of 1991;
- “**VRA**” refers to the VAT Refund Administrator (Pty) Ltd, being a private company appointed by the Commissioner to administer VAT refunds effected under section 44(9);
- “**zero rate**” refers to VAT levied on a supply of goods or services at the rate of 0% under sections 11(1) or 11(2);
- any other word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

The purpose of this interpretation note is to set out the VAT implications concerning the various types of supplies of goods or services to and/or from a CCAE/IDZ Operator located in a CCA of an IDZ.

2. Introduction

The IDZ Programme

The Department of Trade and Industry (the Department) developed an IDZ Programme with the aim of attracting foreign and local direct investment intended to develop the economic potential of specific geographical areas in the Republic. The IDZ Programme was established in Government Notice R. 1224 on 1 December 2000 by the Minister of Trade and Industry under section 10(1) of the Manufacturing Development Act, No. 187 of 1993 by the promulgation of the IDZ Regulations, concerning the regulation, development and operation of IDZs.

In terms of the IDZ Regulations, the Minister of Trade and Industry may, by notice in the *Government Gazette*, designate a geographical area adjacent to an international harbour or airport, as an IDZ. An IDZ can be described as a geographically designed,

purpose-built industrial estate that is linked to an international harbour or airport in an area in the Republic which has been designated by the Minister of Trade and Industry and which contains a delimited fully secured CCA (or multiple CCAs) where CCAEs will operate and obtain certain benefits and privileges.

An IDZ will be built and operated by an IDZ Operator to whom an IDZ Operator permit was issued by the Minister of Trade and Industry. The IDZ Operator will be responsible for the development, security and maintenance of the IDZ (including the CCA). The IDZ Operator will offer facilities tailored for the manufacture, storage and distribution of goods to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment in these regions.

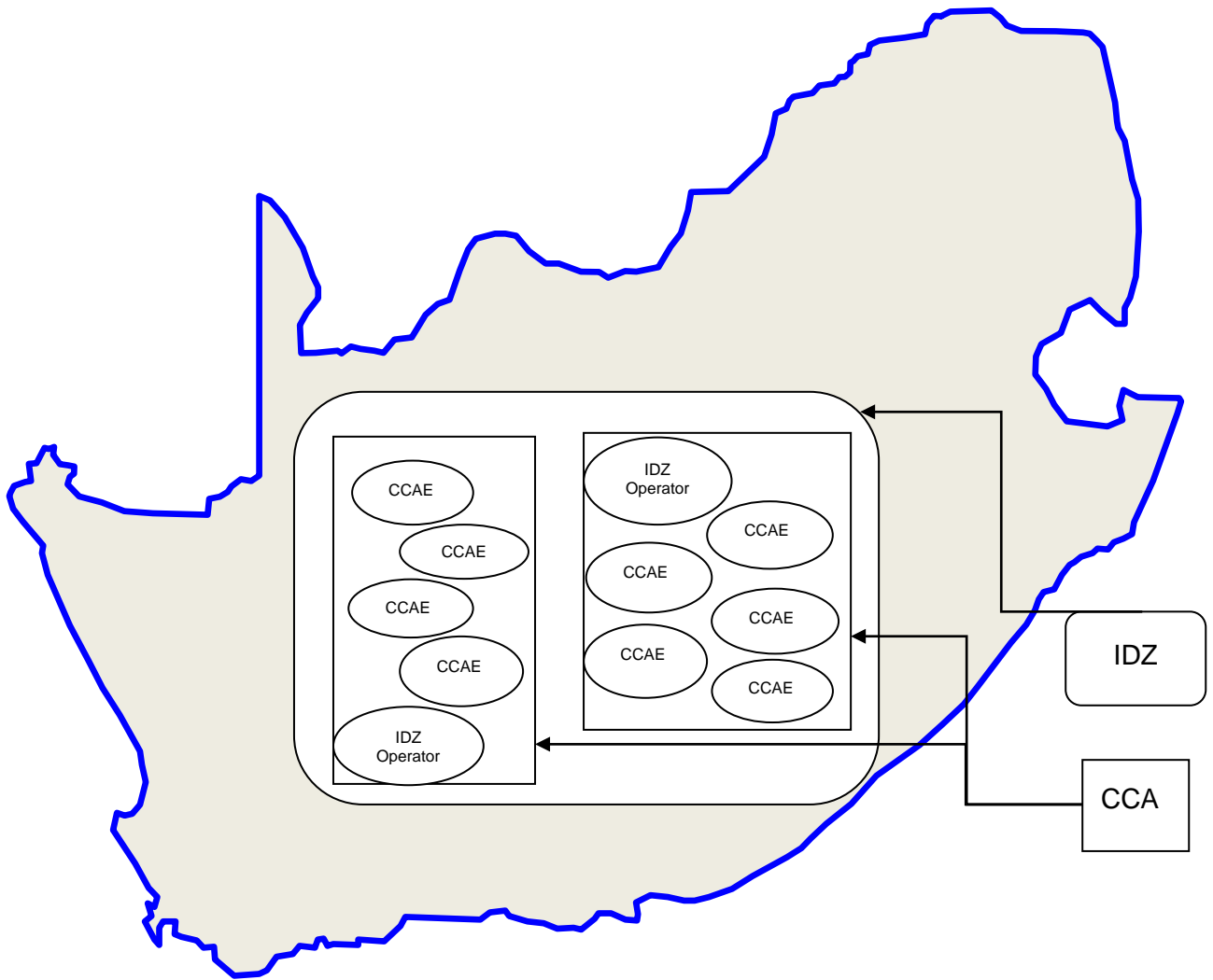
Within an IDZ, the areas of operation, which are diagrammatically illustrated below, are as follows:

- **CCAs, being designated areas within an IDZ which, upon application by the IDZ Operator, have been approved and designated by the Commissioner in concurrence with the Director General: Trade and Industry as CCAs and which have entrance and exit points that are physically controlled by the IDZ Operator who must also provide support measures and facilities for CCAEs located within the CCA.**

Only CCAEs and IDZ Operators that are licensed and/or registered (as applicable) with SARS: Customs will be authorised to operate within a CCA and will be permitted to acquire certain goods exempt from the VAT levied on importation into the Republic, and to acquire certain goods or services from the local market at the zero rate of VAT.

CCAs are controlled by SARS: Customs to the extent that licensing or registration in terms of the Customs and Excise Act is required. In these cases, only the premises where approved enterprise and business activities will be conducted will be controlled by SARS: Customs.

- **The area outside the CCA but within an IDZ (also referred to as the industries and services area), being an industrial or office park type environment surrounding the CCAs and which is occupied by service providers or industries supplying local services or raw materials to CCAEs and IDZ Operators.**



The SEZ Programme

The Department began a review of the IDZ Programme in 2007 that was brought about by developments in the national economic policies and strategies such as the Industrial Policy Framework and the New Growth Path as well as developments in the global economic environment. This review has led to the development of a SEZ Programme by the Department which aims to address the challenges of the current IDZ Programme in order to achieve the national and regional industrial development policy objectives.

A Special Economic Zone (SEZ) is defined as a “geographically designated area of a country set aside for specifically targeted economic activities, which are then supported through special arrangements and support systems to promote industrial development”.

The implementation of the SEZ Programme will be carried out in conjunction with other departments and agencies with the purpose of achieving certain defined objectives. SEZs may be either sector specific or multi-product specific and will include free ports, free trade zones, industrial development zones and sector development or specialised zones. Each of these different categories of SEZs are meant to complement one another and can be integrated into a single zone plan.

The Department has established a legislative framework for SEZs with the promulgation of the Special Economic Zones Act, No. 16 of 2014 (the SEZ Act)

which came into effect on 27 January 2016¹. This framework has been complemented by regulations made under section 42 of the SEZ Act which were also promulgated on 27 January 2016.²

Changes to the VAT Act to accommodate the introduction of the SEZ Act have been promulgated in terms of the Tax Administration Laws Amendment Act, No. 44 of 2014 but these changes will only come into effect once the Customs Control Act, No. 31 of 2014 comes into operation. The interpretation note will then be updated accordingly.

3. The law

The relevant extracts of the VAT Act and the Customs and Excise Act are quoted in **Annexure A**.

4. Application of the law

The VAT implications concerning the various types of supplies of goods or services to and/or from a CCAE/IDZ Operator located in a CCA of an IDZ are elaborated on below and schematically represented in **Annexure B**. In certain instances the customs treatment is indicated but to a limited extent. The documentation to be completed for VAT purposes in order to move goods in or out of a CCA or to provide services in a CCA has also been included.

In utilising the schematic representation and the elaboration below, it is essential that the following conditions and general principles are noted:

General

- All persons mentioned in the scenarios below are considered to be vendors in the Republic except for a Foreign Supplier who is not conducting an “enterprise” as defined in section 1(1) or a Foreign Purchaser.
- The movement of movable goods from and to a CCA has a VAT implication only if there is a “supply” of the movable goods as defined in section 1(1).
- The application of the zero rate must be substantiated by the relevant documentary evidence. In the instance where a vendor does not comply with the documentary evidence requirements an adjustment must be made. In this regard, the price charged in respect of the taxable supply of goods or services is under section 64 deemed to include VAT at 14%. For more information regarding documentary proof and adjustments to be made, refer to Interpretation Note 31.

Imported goods

- Goods that were imported and entered for storage in a licensed Customs and Excise storage warehouse, but were not entered for home consumption may be supplied at the zero rate prior to the entry thereof for home consumption.
- The entry of movable goods into a licensed Customs and Excise storage warehouse, whether the warehouse is located inside a CCA or outside a CCA

¹ Proclamation No. R.6 in *Government Gazette* No. 39667 on 9 February 2016

² *Government Gazette* No. 39667

but within the Republic, means that the goods are not entered for home consumption.

- The entry of imported movable goods into a licensed Customs and Excise manufacturing warehouse, whether the warehouse is located inside a CCA or outside a CCA but within the Republic, means goods which are entered for home consumption.
- Imported movable goods may not be supplied or moved from a licensed Customs and Excise manufacturing warehouse (whether in the Republic or in a CCA) to a licensed Customs and Excise storage warehouse (whether in the Republic or in a CCA). The rationale for this limitation is that imported movable goods cannot change its status from being entered for home consumption to not being entered for home consumption.
- Imported goods supplied and moved from a licensed Customs and Excise storage warehouse to a licensed Customs and Excise manufacturing warehouse (that is, as indicated by Customs Procedure Codes J80-40, J80-41 or J80-44), are regarded as being entered for home consumption. The VAT implications are as follows, in the case of –
 - (a) imported movable goods which are to remain within a CCA, the entry is exempt from VAT; and
 - (b) imported movable goods moving out of a CCA into the Republic, the VAT implications depend on whether the goods are sold before or after being cleared for home consumption.

Supplies to a CCAE/IDZ Operator by a vendor

- The zero-rating provisions only apply to goods supplied and physically delivered, and services physically supplied to a CCAE/IDZ Operator in a CCA.
- The supply by a vendor of fixed property situated in a CCA to a CCAE/IDZ Operator is subject to VAT at the zero rate.
- The supply by a vendor of movable goods, where delivery of the goods takes place outside of a CCA but in the Republic, or services supplied outside a CCA to a CCAE/IDZ Operator is subject to VAT at the standard rate.
- It should be noted that locally supplied goods cannot be warehoused in a licensed Customs and Excise storage warehouse. This is on the basis that goods in a licensed Customs and Excise storage warehouse are not yet entered for home consumption, and therefore cannot be supplied in the Republic as free circulation goods.

Importation of goods by a CCAE or an IDZ Operator

- Goods imported into a CCA by a CCAE are exempt from VAT on importation.
- Goods imported into a CCA by an IDZ Operator for use in the construction and maintenance of the infrastructure of the CCA are also exempt from VAT on importation.

Supplies of goods or services by a CCAE or an IDZ Operator

- The supply of goods physically delivered in a CCA, or the supply of fixed property situated in a CCA is zero-rated.

- The supply of services physically supplied in a CCA is zero-rated.
- The normal VAT principles apply in respect of the supply of goods and services to recipients in the Republic, for example the supply is standard rated, unless it is zero-rated under section 11 or exempt under section 12.
- The normal VAT principles also apply in respect of the export of goods. Where goods are physically delivered to a recipient in an export country, the supply may be zero-rated (refer to Interpretation Note 30 for “direct exports”). Where movable goods are supplied and delivered to a recipient in the Republic, VAT at the standard rate must be levied on the supply, except where the vendor elects to supply the goods at the zero rate as provided for in the Regulation.

4.1 Supply of imported movable goods by a RSA Storage Warehouse to a CCAE Storage Warehouse

Customs treatment

Clearance of goods for re-warehousing in bond (SAD 500 and SAD 502 – E 43-40, E 43-41, or E 43-44 / E 44-43).

VAT implications for the RSA Storage Warehouse

The RSA Storage Warehouse must levy VAT on the supply of the imported movable goods at the zero rate under section 11(1)(u), as the imported movable goods are supplied to the CCAE Storage Warehouse before such goods are entered for home consumption.

VAT implications for the CCAE Storage Warehouse

There are no VAT implications.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The RSA Storage Warehouse must issue a tax invoice at the zero rate.
- The RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied on the supply at the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The RSA Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.2 Supply of imported movable goods by a RSA Storage Warehouse to a CCAE Rebate Stockist/Manufacturer/IDZ Operator

Customs treatment

Clearance of goods ex-warehouse for rebate of duty (SAD 500 – Rebate Item 498.01/02 – J 80-40, or J 80-41 or J 80-44).

VAT implications for the RSA Storage Warehouse

The RSA Storage Warehouse is supplying imported movable goods to a CCAE Rebate Stockist/Manufacturer/IDZ Operator. Therefore, the RSA Storage Warehouse may supply the imported movable goods by either –

Before entry for home consumption

- (a) levying VAT at the zero rate under section 11(1)(u) where the imported movable goods are supplied to the CCAE Rebate Stockist/Manufacturer/IDZ Operator before such goods are entered for home consumption (for example the movable goods remain imported and entered for storage in a licensed Customs and Excise storage warehouse); or

After entry for home consumption

- (b) clearing the imported movable goods for importation into the Republic and paying the VAT levied by SARS Customs under section 7(1)(b), and then supplying the imported movable goods, at either:
 - (i) the standard rate under section 7(1)(a), where the CCAE Rebate Stockist/Manufacturer/IDZ Operator or the CCAE Rebate Stockist/Manufacturer/IDZ Operator's cartage contractor collects the imported movable goods from the RSA Storage Warehouse (for example delivery takes place outside the CCA), and accounting for output tax on the supply in the relevant VAT return; or
 - (ii) the zero rate under section 11(1)(m), where the RSA Storage Warehouse or a cartage contractor appointed by the RSA Storage Warehouse physically delivers the imported movable goods to the CCAE Rebate Stockist/Manufacturer/IDZ Operator in the CCA.

VAT implications for the CCAE Rebate Stockist/Manufacturer/IDZ Operator

Section 11(1)(u)

The supply is zero-rated under section 11(1)(u) as the imported movable goods are not entered for home consumption. The subsequent entry of the imported movable goods for home consumption will be exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 (or Item No. 498.01/00.00/02.00 in the case of an IDZ Operator) in paragraph 8 of Schedule 1 where the CCAE Rebate Stockist/Manufacturer/IDZ Operator intends to import and enter the imported movable goods for home consumption into a CCA.

Sections 11(1)(m), or exemption under section 13(3)

There are no VAT implications where the supply was zero-rated under section 11(1)(m) or the goods were exempt on importation under section 13(3), unless the CCAE Rebate Stockist/Manufacturer/IDZ Operator acquired such goods for the purposes of which a deduction of input tax would have been denied under section 17(2), or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, such goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer/IDZ Operator under section 18(10). An output tax adjustment must be made in the same tax period in which such goods were acquired. Refer to 5.

Section 7(1)(a) or (b)

VAT levied under section 7(1)(a) or (b) on the acquisition of the goods may be deducted to the extent it constitutes “input tax” as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The RSA Storage Warehouse is required to issue a tax invoice to the CCAE Rebate Stockist/Manufacturer at either –
 - (a) the zero under section 11(1)(u);
 - (b) the standard rate under section 7(1)(a); or
 - (c) the zero rate under section 11(1)(m).
- The RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The RSA Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

4.3 Supply of imported movable goods by a CCAE Storage Warehouse to a RSA Storage Warehouse**Customs treatment**

Clearance of goods for re-warehousing in bond. This clearance only applies to goods which are subject to duty (SAD 500 and SAD 502 – E 43-40, or E 43-41, or E 43-44 / E 44-43).

VAT implications for the CCAE Storage Warehouse

The CCAE Storage Warehouse must levy VAT on the supply of the imported movable goods at the zero rate under section 11(1)(u), as the imported movable goods are supplied to the RSA Storage Warehouse before the goods are entered for home consumption.

VAT implications for the RSA Storage Warehouse

There are no VAT implications.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Storage Warehouse must issue a tax invoice to the RSA Storage Warehouse at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCA Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.4 Supply of movable goods by a Foreign Supplier to a CCAE Rebate Stockist/Manufacturer/ IDZ Operator where the movable goods are imported and entered into a CCA

Customs treatment

Clearance of goods for importation for home consumption under rebate of duty.

CCAЕ Rebate Stockist/Manufacturer: SAD 500 – Rebate Item 498.01 – J 80-00, or J 80-20.

IDZ Operator: SAD 500 – Rebate Item 498.02 – J 80-00, or J 80-20.

In the case of goods imported from Botswana, Lesotho, Namibia or Swaziland: SAD 500 – D 37-00, SAD 502 transit and subsequently SAD 500 – Rebate Item 498.01/02) – J 80-00.

VAT implications for the Foreign Supplier

There are no VAT implications.

VAT implications for the CCAE Rebate Stockist/Manufacturer/IDZ Operator

CCA Rebate Stockist/Manufacturer

The importation of the movable goods is exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 in paragraph 8 of Schedule 1.

IDZ Operator

The importation of the movable goods is exempt from VAT under section 13(3), read with Item No. 498.01/00.00/02.00 in paragraph 8 of Schedule 1. The exemption only applies to goods imported for use in the construction and maintenance of the infrastructure of a CCA.

The CCAE Rebate Stockist/Manufacturer/IDZ Operator is deemed to have supplied the goods under section 18(10) if such goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. The output tax adjustment must be made in the same tax period in which such goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

The Foreign Supplier will not issue a tax invoice as the Foreign Supplier is not a vendor in the Republic. The Foreign Supplier will issue a commercial invoice or similar document as envisaged in the Foreign Supplier's tax legislation.

4.5 Supply of movable goods by a Foreign Supplier to a CCAE Storage Warehouse where the movable goods are imported and entered into a CCA

Customs treatment

Clearance of goods for importation into a bonded warehouse (SAD 500 – E 40-00 / E 42-00 and SAD 505)

In the case of goods imported from Botswana, Lesotho, Namibia or Swaziland: SAD 500 – D 37-00, SAD 502 transit and subsequently SAD 500 – Rebate Item 498.01 – J 80-00.

VAT implications for the Foreign Supplier

There are no VAT implications.

VAT implications for the CCAE Storage Warehouse

There are no VAT implications as the movable goods are imported and entered for storage into a licensed Customs and Excise storage warehouse located in a CCA and are therefore not entered for home consumption.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

The Foreign Supplier will not issue a tax invoice as the Foreign Supplier is not a vendor in the Republic. The Foreign Supplier will issue a commercial invoice or similar document as envisaged in the Foreign Supplier's tax legislation.

4.6 Supply of movable goods consigned or delivered by a CCAE Rebate Stockist/Manufacturer to a Recipient at an address in an export country – Direct Export

Customs treatment

Clearance of goods for export (SAD 500 and SAD 505 – H 67-42, H 68-46 or H 68-47, F 51-00, F 52-00 or F 52-46 and F 53-40).

In the case of goods exported to Botswana, Lesotho, Namibia or Swaziland: SAD 500, SAD 502 transit and SAD 500.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The CCAE Rebate Stockist/Manufacturer is directly in control of the exportation and delivery of the movable goods to an address in an export country, either by using the CCAE Rebate Stockist/Manufacturer's own mode of transport or by engaging a cartage contractor. The supply is zero-rated under section 11(1)(a)(i), read with paragraph (a) of the definition of "exported" in section 1(1).

The CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required under section 11(3) read with Interpretation Note 30 in order to substantiate the zero rate.

VAT implications for the Recipient

There are no VAT implications.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Rebate Stockist/Manufacturer must issue a tax invoice and levy VAT at the zero rate.
- The CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The export falls within the ambit of a direct export. The CCAE Rebate Stockist/Manufacturer must therefore obtain and retain the relevant documentary proof under section 11(3) read with Interpretation Note 30.

4.7 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Qualifying Purchaser who takes delivery of the movable goods in the Republic and subsequently exports the movable goods to an export country – Indirect export – Part One of the Regulation.

Customs treatment

Clearance of goods for export (SAD 500 – J 83-80 and SAD 505).

In the case of exports to Botswana, Lesotho, Namibia or Swaziland: SAD 500 – H 61-00, and SAD 502 transit.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The CCAE Rebate Stockist/Manufacturer must levy VAT at the standard rate under section 7(1)(a) as the Qualifying Purchaser initially takes delivery of the movable goods in the Republic (for example the CCAE Rebate Stockist/Manufacturer has no control over the actual export).

VAT implications for the Qualifying Purchaser

In terms of proviso (bb) to section 11(1)(a)(ii), read with paragraph (d) of the definition of “exported” in section 1(1) and section 44(9) –

- (a) in the case of a designated commercial port where the VRA is present, the Qualifying Purchaser may submit a claim to the VRA, for a refund of the VAT levied by the CCAE Rebate Stockist/Manufacturer where the Qualifying Purchaser exports the movable goods, or
- (b) in the case of a designated commercial port where the VRA is not present, the Qualifying Purchaser may submit a postal claim to the VRA for a refund of the VAT levied, after the movable goods have been imported into the export country where the Qualifying Purchaser’s cartage contractor exports the movable goods.

The Qualifying Purchaser must ensure compliance with all the relevant requirements set out in Part One of the Regulation. For example, the movable goods must be exported within 90 days of the earlier of the date of the CCAE Rebate Stockist/Manufacturer’s tax invoice or the date of any payment of the consideration,

and the request for a refund, together with the relevant documents must be submitted to the VRA no later than 90 days from the date of export.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Rebate Stockist/Manufacturer must issue a tax invoice to the Qualifying Purchaser showing that VAT was levied at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate (the delivery note is not accepted for VAT refund purposes) where a tax invoice is not issued at the time the goods exit the CCA.

4.8 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Qualifying Purchaser whereby the CCAE Rebate Stockist/Manufacturer ensures that the movable goods are initially delivered to a designated commercial port from where the Qualifying Purchaser or the Qualifying Purchaser's cartage contractor will export the movable goods – Indirect export – Part Two – Section A of the Regulation

Customs treatment

Clearance of goods for export (SAD 500 and SAD 505 – J 83-80)

Goods exported to Botswana, Lesotho, Namibia or Swaziland: SAD 500, SAD 502 (transit) and SAD 500 – H 61-00.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The CCAE Rebate Stockist/Manufacturer may elect to supply the movable goods at the zero rate under section 11(1)(a)(ii), read with paragraph (d) of the definition of "exported" in section 1(1). In making this election, the CCAE Rebate Stockist/Manufacturer must ensure that the movable goods are delivered to a designated commercial port.

VAT implications for the Qualifying Purchaser

There are no VAT implications.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Rebate Stockist/Manufacturer must issue a tax invoice and may levy VAT at the zero rate.
- The CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The export is an indirect export. The CCAE Rebate Stockist/Manufacturer must therefore obtain and retain the documentary proof as stipulated in Part Two – Section A of the Regulation.

4.9 Supply of imported movable goods by a CCAE Storage Warehouse to a Foreign Purchaser where such goods will be exported by either party

Customs treatment

Clearance of goods for export (SAD 500 and SAD 505 – H 67-42, H 68-46 or H 68-47, F 51-00, F 52-00 or F 52-46 and F 53-40).

Exports to Botswana, Lesotho, Namibia or Swaziland: SAD 500 – A 11-40, SAD 502 (transit) and SAD 500 – H 61-00.

VAT implications for the CCAE Storage Warehouse

The CCAE Storage Warehouse must levy VAT on the supply of the movable goods at the zero rate under section 11(1)(u), as the imported movable goods are supplied to the Foreign Purchaser prior to the goods being entered for home consumption.

VAT implications for the Foreign Purchaser

There are no VAT implications, unless the Foreign Purchaser enters the movable goods for home consumption which will result in VAT on importation being levied at the standard rate under section 7(1)(b).

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Storage Warehouse must issue a tax invoice and levy VAT at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.10 Supply of imported or locally sourced movable goods by a CCAE Rebate Stockist/Manufacturer to a RSA Rebate Stockist/Manufacturer

Customs treatment

Transfer of rebate goods between Rebate Stockist/Manufacturers (SAD 500 – J 81-80 or DA 62).

There is no customs treatment in respect of locally sourced movable goods.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The supply of movable goods (whether imported or locally sourced) by the CCAE Rebate Stockist/Manufacturer to a RSA Rebate Stockist/Manufacturer is subject to VAT at the standard rate under section 7(1)(a). The CCAE Rebate Stockist/Manufacturer must account for output tax on the supply in the relevant VAT return.

VAT implications for the RSA Rebate Stockist/Manufacturer

The RSA Rebate Stockist/Manufacturer is entitled to deduct the VAT paid on the acquisition of the imported or locally sourced movable goods to the extent it qualifies as “input tax”, subject to certain documentary requirements.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Rebate Stockist/Manufacturer must issue a tax invoice showing VAT levied at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Rebate Stockist/Manufacturer must complete a VAT267 form in respect of the movable goods.

4.11 Supply of imported movable goods by a RSA Rebate Stockist/Manufacturer to a CCAE Rebate Stockist/Manufacturer***Customs treatment***

Clearance of goods for rebate – transfer of liability (SAD 500 – J 81-80).

VAT implications for the RSA Rebate Stockist/Manufacturer

On supplying the imported movable goods, the RSA Rebate Stockist/Manufacturer must levy VAT at either—

- (a) the standard rate under section 7(1)(a), where the CCAE Rebate Stockist/Manufacturer or the CCAE Rebate Stockist/Manufacturer’s cartage contractor collects the imported movable goods from the RSA Rebate Stockist/Manufacturer (for example delivery takes place outside the CCA), and account for output tax on the supply in the relevant VAT return; or
- (b) the zero rate under section 11(1)(m), where the RSA Rebate Stockist/Manufacturer or a cartage contractor appointed by the RSA Rebate Stockist/Manufacturer physically delivers the imported movable goods to the CCAE Rebate Stockist/Manufacturer in the CCA.

VAT implications for the CCAE Rebate Stockist/Manufacturer***VAT levied at the standard rate***

The CCAE Rebate Stockist/Manufacturer is entitled to deduct the VAT levied at the standard rate on the acquisition of the goods to the extent it qualifies as “input tax” as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

VAT levied at the zero rate

There are no VAT implications for the CCAE Rebate Stockist/Manufacturer where VAT was levied at the zero rate, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE Rebate

Stockist/Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The RSA Rebate Stockist/Manufacturer must issue a tax invoice to the CCAE Rebate Stockist/Manufacturer at either the –
 - (i) standard rate under section 7(1)(a); or
 - (ii) zero rate under section 11(1)(m).
- The RSA Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The RSA Rebate Stockist/Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

4.12 Supply of movable goods by a Supplying Vendor to a CCAE/IDZ Operator where the CCAE/IDZ Operator, or the CCAE/IDZ Operator's cartage contractor takes delivery of the movable goods outside a CCA but within the Republic

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT implications for the Supplying Vendor

The supply of the movable goods is subject to VAT at the standard rate under section 7(1)(a).

VAT implications for the CCAE or the IDZ Operator

The CCAE or the IDZ Operator is entitled to deduct the VAT on the goods acquired to the extent that it qualifies as "input tax" as defined in section 1(1) subject to sections 16(3)(a)(i), 16(2), 17 and 20.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The Supplying Vendor is required to issue a tax invoice showing VAT levied at the standard rate under section 7(1)(a).
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The CCAE/IDZ Operator must complete a VAT267 form.

4.13 Supply of movable goods by a Supplying Vendor to a CCAE/IDZ Operator where the Supplying Vendor/Supplying Vendor's cartage contractor physically delivers the movable goods to the CCAE/IDZ Operator in a CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT implications for the Supplying Vendor

The Supplying Vendor must zero rate the supply under section 11(1)(m) where the Supplying Vendor/Supplying Vendor's cartage contractor delivers the movable goods to a CCAE/IDZ Operator in a CCA.

VAT implications for the CCAE or the IDZ Operator

There are no VAT implications for the CCAE/IDZ Operator as VAT is levied at the zero rate, unless the CCAE/IDZ Operator acquires goods for the purposes of which a deduction of input tax would have been denied under section 17(2), or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE/IDZ Operator under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The Supplying Vendor must issue a tax invoice and levy VAT at the zero rate.
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The Supplying Vendor/Supplying Vendor's cartage contractor must complete a VAT267 form.
- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.14 Supply of movable goods by a Supplying Vendor to a CCAE/IDZ Operator in terms of a rental agreement, charter party or agreement for chartering and such goods are used exclusively in a CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT Implications for the Supplying Vendor

The Supplying Vendor must levy VAT at the zero rate under section 11(1)(c) on the supply of the movable goods.

It is important to note that section 11(1)(c) excludes the supply of a "motor car" as defined in section 1(1). The supply of a "motor car" to a CCAE/IDZ Operator is therefore always subject to VAT at the standard rate under section 7(1)(a).

VAT implications for the CCAE/IDZ Operator

There are no VAT implications for the CCAE/IDZ Operator as VAT is levied at the zero rate, unless the CCAE/IDZ Operator acquires goods for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE/IDZ Operator under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to [5](#).

Documentation to be available for VAT purposes at the time the goods enter the CCA:

- The Supplying Vendor must issue a tax invoice to the CCAE/IDZ Operator and levy VAT at the zero rate.
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the entry of the goods into the CCA where a tax invoice is not issued at the time the goods enter the CCA.
- The Supplying Vendor, the CCAE or the IDZ Operator must complete a VAT267 form.
- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

4.15 Supply of services that are physically rendered in a CCA by a Supplying Vendor to a CCAE/ IDZ Operator***Customs treatment***

No Customs treatment. Services are being supplied.

VAT implications for the Supplying Vendor

The supply is subject to VAT at the zero rate under section 11(2)(k) where the Supplying Vendor physically renders the services in a CCA.

VAT implications for the CCAE/IDZ Operator

There are no VAT implications for the CCAE/IDZ Operator as VAT is levied at the zero rate, unless the CCAE/IDZ Operator acquires the services for the purposes of which a deduction of input tax would have been denied under section 17(2) or the services are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the services are deemed to be supplied by the CCAE/IDZ Operator under section 18(10). The output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to [6](#).

Documentation to be available for VAT purposes at the time the Supplying Vendor enters the CCA:

- The Supplying Vendor must produce a job card or an order, together with an inventory of the movable goods and equipment which enters the CCA for purposes of performing the relevant services.

- The Supplying Vendor must complete a VAT267 form.
- The Supplying Vendor must issue a tax invoice and levy VAT at the zero rate.
- The Supplying Vendor must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.16 Movable goods originally supplied in terms of a rental agreement, charter agreement or agreement for charter that are subsequently returned by a CCAE to the Supplying Vendor

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT implications for the Supplying Vendor

There are no VAT implications.

VAT implications for the CCAE

There are no VAT implications.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- A copy of the relevant page of the VAT267 form completed in respect of the entry of the goods into the CCA, together with the completed copy of the VAT267 form when the movable goods exit the CCA.
- A delivery note, goods returned note or a document to indicate that the goods are being returned to the Supplying Vendor.

4.17 Supply of imported movable goods by a CCAE Storage Warehouse to a Receiving Vendor in the Republic

4.17.1 Imported movable goods are cleared for home consumption prior to being supplied to a Receiving Vendor in the Republic

Customs treatment

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

VAT implications for the CCAE Storage Warehouse

The imported goods must first be entered for home consumption before it can be sold locally. The CCAE Storage Warehouse is therefore supplying the imported movable goods to a Receiving Vendor in the Republic. The clearance of the goods for home consumption by the CCAE Storage Warehouse is subject to VAT at the standard rate under section 7(1)(b).

The CCAE Storage Warehouse is entitled to deduct the VAT paid on importation to the extent it qualifies as “input tax” as defined in section 1(1) subject to sections 16(3)(a)(iii), 16(2)(d), and 17.

The CCAE Storage Warehouse must levy VAT at the standard rate under section 7(1)(a) on the supply.

VAT implications for the Receiving Vendor

The Receiving Vendor is entitled to deduct the VAT incurred on the acquisition of the goods to the extent it qualifies as “input tax” as defined in section 1(1) subject to sections 16(3)(a)(iii), 16(2)(d), and 17 and 20.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Storage Warehouse must issue a tax invoice and levy VAT at the standard rate under section 7(1)(a).
- Where a tax invoice is not issued at the time the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA.
- The CCAE Storage Warehouse must complete a VAT267 form.

4.17.2 Imported movable goods are supplied to a Receiving Vendor prior to the goods being cleared for home consumption***Customs treatment***

Clearance of goods for re-warehousing in bond (SAD 500 and SAD 502 – E 43-40, or E 43-41, or E 43-44/E 44-43)

VAT implications for the CCAE Storage Warehouse

The CCAE Storage Warehouse must levy VAT on the supply of the movable goods at the zero rate under section 11(1)(u).

VAT implications for the Receiving Vendor

There are no VAT implications, unless the Receiving Vendor enters the imported movable goods for home consumption which will result in VAT being levied on the importation under section 7(1)(b).

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Storage Warehouse must issue a tax invoice to the Receiving Vendor and levy VAT at the zero rate.
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.18 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Receiving Vendor in the Republic***Customs treatment***

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

VAT implications for the CCAE Rebate Stockist/Manufacturer

The supply of goods or goods manufactured from raw materials by a CCAE Rebate Stockist/Manufacturer to a Receiving Vendor in the Republic is subject to VAT under section 7(1)(a).

VAT implications for the Receiving Vendor

The Receiving Vendor is entitled to deduct the VAT on the goods or raw material acquired to the extent it qualifies as “input tax” as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE Rebate Stockist/Manufacturer must issue a tax invoice to the Receiving Vendor and levy VAT at the standard rate under section 7(1)(a).
- The CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods exit the CCA.
- The CCAE Rebate Stockist/Manufacturer must complete a VAT267 form.

4.19 Deemed supply of goods by a CCAE/IDZ Operator where imported or locally sourced movable goods are temporarily removed from a place in a CCA to a place outside the CCA, situated in the Republic, and those goods are not returned to the CCA within 30 days of removal or within a period arranged in writing with the Controller

A CCAE/IDZ Operator temporarily removes movable goods from a place in a CCA to a place outside the CCA, but in the Republic (for example, the movable goods have to be repaired), and those goods are not returned to the CCA within 30 days of being removed from the CCA or within a period arranged in writing with the Controller.

Customs treatment

Imported movable goods – voucher of correction to be processed bringing duty to account (SAD 500 – A 11-40).

In the case of locally sourced movable goods, there is no Customs treatment – movement of goods in free circulation.

VAT implications for the Supplying Vendor

The Supplying Vendor performing the repair service must levy VAT at the standard rate under section 7(1)(a).

VAT implications for the CCAE

The CCAE/IDZ Operator must process a voucher of correction to bring duty to account where imported movable goods are moved out of the CCA.

The CCAE/IDZ Operator is entitled to deduct the VAT levied on the supply of the services rendered outside the CCA to the extent it qualifies as “input tax” as defined in section 1(1) subject to sections 16(3)(a)(i), 16(2), 17 and 20. As the imported or locally sourced movable goods are, however, not returned within the required time

period (for example 30 days from being removed or a period arranged in writing with the Controller), the CCAE/IDZ Operator is deemed under section 8(24) to have supplied such goods in the course or furtherance of carrying on an enterprise. The supply is under section 9(11) deemed to take place on the last day of the applicable period as contemplated in section 8(24) and the consideration in money is, under section 10(25), deemed to be the open market value of those goods on the last day on which the 30 day period (or the last day of the extended period which was approved by the Controller) expires.

The CCAE/IDZ Operator is entitled to a deduction under section 16(3)(n) equal to the tax fraction of the lesser of the amount contemplated in section 10(25) or the open market value of the goods on the date the goods are subsequently returned to the CCAE/IDZ Operator, or supplied by the CCAE/IDZ Operator after expiry of the time period referred to in section 8(24).

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The CCAE must complete a VAT267 form when the imported movable goods exit the CCA to record the temporary removal from the CCA for specific purposes.
- A delivery note, an order or a document to indicate that the imported movable goods are being removed from the CCA in order to perform services in respect thereof.

Documentation to be available for VAT purposes at the time the goods re-enter the CCA:

- The Supplying Vendor must issue a tax invoice and levy VAT at the standard rate under section 7(1)(a).
- The Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the standard rate in order to facilitate the re-entry of the goods into the CCA where a tax invoice is not issued at the time the goods re-enter the CCA.
- A VAT267 form when the movable goods re-enter the CCA to record the permanent return thereof to the CCA.

Example 1 – Goods temporarily removed and not returned in time

A CCAE removes a facsimile machine, used in the course of making taxable supplies, from the CCA, and delivers it to a supplier in the Republic to be repaired. The facsimile machine is not returned to the CCA within 30 days of its removal. No alternate arrangement is made with the Controller to extend the 30 day period.

The CCAE is liable to account for output tax on the open market value of the facsimile machine, calculated at the end of the 30 day period (or the last day of the extended period which was approved by the Controller). For example, the facsimile machine has an open market value of R1000. When it leaves the CCA, it is only valued at R500 due to it requiring repairs. At the end of the 30 day period, the open market value is R500 as the facsimile machine has not been repaired. The CCAE has to account for output tax on R500 amounting to R61,40 in the tax period when the 30 day period (or the last day of the extended period which was approved by the Controller) expires.

4.20 A Vendor permanently moves imported movable goods out of a CCAE Storage Warehouse to the Vendor's retail outlet situated in the Republic but outside a CCA

Customs treatment

Clearance of goods for home consumption bringing duty to account (SAD 500 – A 11-40).

VAT Implications for the Vendor

The goods must be entered for home consumption as the imported movable goods are being removed from a CCAE Storage Warehouse to a place in the Republic but outside a CCA. The entry of the goods for home consumption by the vendor is subject to VAT at the standard rate under section 7(1)(b).

The vendor is entitled to a deduction of the VAT paid on the imported movable goods to the extent that it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(iii), 16(2)(d), 17 and 20.

Documentation to be available for VAT purposes at the time the goods exit the CCA:

- The vendor must complete a VAT267 form when the imported movable goods exit the CCA.
- A delivery note, an order or a document to indicate that the imported movable goods are being removed from the CCA to the vendor's retail outlet outside the CCA in order to facilitate the exit of the goods from the CCA.

4.21 Supply of imported movable goods by a Supplying CCAE Storage Warehouse to a Receiving CCAE Storage Warehouse in the same or a different CCA

Customs treatment

Clearance of goods in bond for removal for re-warehousing (SAD 500 – E 41-41/E 43-40).

VAT implications for the Supplying CCAE Storage Warehouse

The Supplying CCAE Storage Warehouse must levy VAT on the supply of the imported movable goods at the zero rate under section 11(1)(u), as the goods are being supplied to the Receiving CCAE Storage Warehouse before such goods are entered for home consumption.

VAT implications for the Receiving CCAE Storage Warehouse

There are no VAT implications, as the supply was subject to the zero rate..

Documentation to be available for VAT purposes at the time the goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA:

- The Supplying CCAE Storage Warehouse is required to issue a tax invoice and to levy VAT at the zero rate.
- The Supplying CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice is not issued at the time the goods move within or exit the CCA.
- The Supplying CCAE Storage Warehouse must complete a VAT267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The Supplying CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.22 Supply of movable goods by a Supplying CCAE Rebate Stockist/Manufacturer to a Receiving CCAE Rebate Stockist/Manufacturer in the same CCA (or in a different CCA)

Customs treatment

Transfer of rebate goods between Rebate Stockist/Manufacturers (SAD 500 – J 81-80).

VAT implications for the Supplying CCAE Rebate Stockist/Manufacturer

On supplying the movable goods, the Supplying CCAE Rebate Stockist/Manufacturer must levy VAT at either –

- (a) the standard rate under section 7(1)(a), where the Receiving CCAE Rebate Stockist/Manufacturer or the Receiving CCAE Rebate Stockist/Manufacturer's cartage contractor collects the movable goods from the Supplying CCAE Rebate Stockist/Manufacturer; or
- (b) the zero rate under section 11(1)(m), where the Supplying CCAE Rebate Stockist/Manufacturer or a cartage contractor appointed by the Supplying CCAE Rebate Stockist/Manufacturer physically delivers the movable goods to the Receiving CCAE Rebate Stockist/Manufacturer in a CCA.

The Supplying CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

VAT implications for the Receiving CCAE Rebate Stockist/Manufacturer

VAT levied at the standard rate

The Receiving CCAE Rebate Stockist/Manufacturer is entitled to deduct the VAT levied at the standard rate on the acquisition of the goods to the extent it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

VAT levied at the zero rate

There are no VAT implications for the Receiving CCAE Rebate Stockist/Manufacturer where VAT was levied at the zero rate, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the Receiving CCAE Rebate Stockist/Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA:

- The Supplying CCAE Rebate Stockist/Manufacturer must issue a tax invoice to the Receiving CCAE Rebate Stockist/Manufacturer at either the –
 - (i) standard rate under section 7(1)(a); or
 - (ii) zero rate under section 11(1)(m).
- The Supplying CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA.
- The Supplying CCAE Rebate Stockist/Manufacturer must complete a VAT267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The Supplying CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

4.23 Supply of imported movable goods by a CCAE Storage Warehouse to a CCAE Rebate Stockist/Manufacturer in the same CCA (or in a different CCA)

Customs treatment

Clearance ex warehouse under rebate of duty. Entry for home consumption (SAD 500 – Rebate Item 498 – J 80-40).

VAT implications for the CCAE Storage Warehouse

Before entry for home consumption

The supply will be zero-rated under section 11(1)(u) where the CCAE Storage warehouse supplies the goods to a CCAE Rebate Stockist/Manufacturer prior to the goods being entered for home consumption.

After entry for home consumption

The entry of the goods for home consumption by the CCAE Storage Warehouse is exempt from VAT under section 13(3), read with Item No. 498.01/00.00/01.00 in paragraph 8 of Schedule 1 where the CCAE Storage Warehouse is supplying the imported movable goods to a CCAE Rebate Stockist/Manufacturer after the goods have been entered for home consumption.

On supplying the imported movable goods, the CCAE Storage Warehouse must levy and account for output tax in the relevant VAT return at either the –

- (a) standard rate under section 7(1)(a), where the CCAE Rebate Stockist/Manufacturer or the CCAE Rebate Stockist/Manufacturer's cartage contractor collects the goods from the CCAE Storage Warehouse; or
- (b) zero rate under section 11(1)(m), where the CCAE Storage Warehouse or a cartage contractor appointed by the CCAE Storage Warehouse physically delivers the goods.

VAT implications for the CCAE Rebate Stockist/Manufacturer

VAT levied at the zero rate

There are no VAT implications for the CCAE Rebate Stockist/Manufacturer where VAT was levied at the zero rate, unless the goods are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2) or the goods are not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

VAT levied at the standard rate

The CCAE Rebate Stockist/Manufacturer is entitled to deduct the VAT levied at the standard rate on the acquisition of the goods to the extent it qualifies as "input tax" as defined in section 1(1), subject to sections 16(3)(a)(i), 16(2), 17 and 20.

Documentation to be available for VAT purposes at the time the goods are supplied (in the case of the same CCA) or exit the CCA and enter another CCA (in the case of a different CCA):

- The CCAE Storage Warehouse must issue a tax invoice to the CCAE Rebate Stockist/Manufacturer as follows –
 - (i) at the zero rate under section 11(1)(u) where the imported movable goods are supplied before being entered for home consumption;
 - (ii) where the imported movable goods are entered for home consumption –
 - (a) at the standard rate under section 7(1)(a); or
 - (b) at the zero rate under section 11(1)(m).
- The CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate in order to facilitate the exit of the goods from the CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA and enter another CCA.
- The CCAE Storage Warehouse must complete a VAT267 form when the imported movable goods are supplied (in the case of the same CCA) or exit the CCA in the case of a different CCA.
- The CCAE Storage Warehouse must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31 where the zero rate is applied.

4.24 Supply of movable goods in terms of a rental agreement, charter party or agreement for chartering by a Supplying CCAE to a Receiving CCAE for exclusive use in the same CCA or another CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT Implications for the Supplying CCAE

The Supplying CCAE must levy VAT at the zero rate on the supply of the movable goods under section 11(1)(c).

In applying the zero rate the Supplying CCAE must obtain and retain the relevant documentary proof as determined under section 11(3), read with Interpretation Note 31.

It is important to note that section 11(1)(c) excludes the supply of a “motor car” as defined in section 1(1). The supply of a “motor car” to a CCAE/IDZ Operator is therefore always subject to VAT at the standard rate under section 7(1)(a).

VAT implications for the Receiving CCAE

Goods acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or goods not wholly for consumption, use or supply in the course of making taxable supplies are deemed to be supplied by the Receiving CCAE under section 18(10). The Receiving CCAE must make an output tax adjustment in the same tax period in which such goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the goods are supplied (in the case of the same CCA) or exit the CCA and enter another CCA (in the case of a different CCA):

- The Supplying CCAE must issue a tax invoice at the zero rate.
- The Supplying CCAE must issue a delivery note or other document indicating that VAT was levied at the zero rate in order to facilitate the movement of the goods within the same CCA or on exiting one CCA to enter another CCA where a tax invoice has not been issued at the time the goods move within or exit the CCA.
- The Supplying CCAE must complete a VAT267 form when the movable goods are supplied within the same CCA, or for when the goods exit and enter another CCA.
- The Supplying CCAE must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

4.25 Supply of services by a Supplying CCAE which are physically rendered to a Receiving CCAE in the same CCA or another CCA

VAT implications for the Supplying CCAE

The supply is subject to VAT at the zero rate under section 11(2)(k) as the Supplying CCAE physically renders the services in a CCA.

VAT implications for the Receiving CCAE

There are no VAT implications for the Receiving CCAE where VAT was levied at the zero rate, unless the services are acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or the services are not wholly for the consumption, use or supply in the course of making taxable supplies. In this instance, the services are deemed to be supplied by the Receiving CCAE under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

Documentation to be available for VAT purposes at the time the services are physically rendered within the same CCA or in another CCA:

- The Supplying CCAE is required to issue a tax invoice to the Receiving CCAE and levy VAT at the zero rate under section 11(2)(k).
- The Supplying CCAE must produce a job card or an order, together with an inventory of the movable goods and equipment which are required in order to perform the services where the services are to be performed in another CCA.
- The Supplying CCAE must complete a VAT267 form.
- The Supplying CCAE must obtain and retain the documentary proof required under section 11(3), read with Interpretation Note 31.

**4.26 Supply of fixed property situated in a CCA to an IDZ Operator/CCA
*VAT implications for the IDZ Operator***

As the vendor is supplying fixed property situated in a CCA to an IDZ Operator/CCA, the supply is subject to VAT at the zero rate under section 11(1)(mA).

In applying the zero rate the vendor must obtain and retain the relevant documentary proof as determined under section 11(3), read with Interpretation Note 31.

VAT implications for the IDZ Operator/CCA

There are no VAT implications for the IDZ Operator/CCA where VAT was levied at the zero rate, unless the fixed property is acquired for the purposes of which a deduction of input tax would have been denied under section 17(2), or the fixed property is not wholly for consumption, use or supply in the course of making taxable supplies. In this instance, the fixed property is deemed to be supplied by the IDZ Operator/CCA under section 18(10). An output tax adjustment must be made in the same tax period in which the goods were acquired. Refer to 5.

5. Output tax adjustment to be made where movable goods, services or fixed property are acquired by a CCAE/IDZ Operator at the zero rate/exempt from VAT on importation and a deduction of input tax would have been denied under section 17(2) on such acquisition – section 18(10)

In instances where a CCAE/IDZ Operator acquires movable goods, services or fixed property at the zero rate or those goods or services are exempt from VAT on importation and a deduction of input tax would have been denied under section 17(2), such movable goods, services or fixed property are deemed to be supplied by the CCAE/IDZ Operator under section 18(10). The CCAE/IDZ Operator must make an output tax adjustment in the same tax period in which such movable goods, services or fixed property were acquired in accordance with the formula:

$$A \times B$$

in which formula –

“A” represents the rate of tax levied under section 7(1); and

“B” represents –

- (a) the cost to the CCAE or IDZ Operator of the acquisition of those goods or services which were supplied to the CCAE or IDZ Operator under sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k); or
- (b) the value to be placed on the importation of goods into the Republic as determined under section 13(2).

The effect of the adjustment is to ensure that the standard rate of VAT is effectively levied on movable goods, services or fixed property where the provisions of section 17(2) are applicable.

Example 2 – Movable goods acquired at the zero rate and input tax denied

A CCAE purchases a microwave oven for R2 000 at the zero rate under section 11(1)(m). The microwave oven was acquired by the CCAE for use by employees.

The microwave oven has been acquired for purposes for which a deduction of input tax would have been denied under section 17(2). Therefore, the CCAE is liable to account for output tax on the cost of the acquisition of the microwave oven. The cost to the CCAE of the acquisition of the microwave oven is R2 000.

The output tax to be declared by the CCAE is calculated as follows:

$$A \times B$$

With “A” being the 14% VAT rate and “B” being the R2 000 cost of the acquisition of the microwave oven –

$$14\% \times R2\ 000 = R280$$

The CCAE has to account for output tax amounting to R280 in the same tax period in which the microwave oven was acquired.

Example 3 – Movable goods acquired exempt on importation and input tax denied

A CCAE imports a “motor car” as defined in section 1(1) for use in its business activities in a CCA. The customs value, including duty levied in terms of the Customs and Excise Act and the 10 percent upliftment, for the purposes of section 13(2) is R140 000.

As the motor car is being imported into a CCA, the importation is exempt from VAT under section 13(3), read with Item No. 498.00 in paragraph 8 of Schedule 1.

As the imported goods comprise a “motor car” as defined in section 1(1) and an input tax deduction is denied under section 17(2), the CCAE is liable to account for output tax on the value placed on the importation as determined under section 13(2). The value placed on the importation is in this case the customs value for the purposes of section 13(2) of R140 000.

The output tax to be declared by the CCAE is calculated as follows:

A x B

With “A” being the 14% VAT rate and “B” being the R140 000 value placed on the importation –

$$14\% \times R140\,000 = R19\,600$$

The CCAE has to account for output tax amounting to R19 600 in the same tax period in which the motor car was imported.

6. Conclusion

This interpretation note endeavours to provide guidance and clarity on the VAT implications of transactions where goods and/or services are supplied to and/or from a CCA.

Should further clarity on any of the matters dealt with in this interpretation note be required, it is recommended that an application for a VAT ruling or VAT class ruling be submitted to the Commissioner either by e-mail to VATRulings@sars.gov.za or by facsimile on +27 86 540 9390. The application must be accompanied by a completed VAT301 form and must comply with the provisions of section 79 of the Tax Administration Act, No. 28 of 2011, excluding section 79(4)(f), (k) and (6).

Legal and Policy Division

SOUTH AFRICAN REVENUE SERVICE

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Annexure A – The law

1. The VAT Act

Section 1(1) – Definitions

“**Commissioner**” means the Commissioner for the South African Revenue Service appointed under section 6 of the South African Revenue Service Act, 1997 (Act No. 34 of 1997), or the Acting Commissioner designated under section 7 of that Act;

“**Customs and Excise Act**” means the Customs and Excise Act, 1964 (Act No. 91 of 1964);

“**customs controlled area**” has the meaning assigned thereto in section 21A of the Customs and Excise Act;

“**customs controlled area enterprise**” has the meaning assigned thereto in section 21A of the Customs and Excise Act, 1964;

“**exported**”, in relation to any movable goods supplied by any vendor under a sale or an instalment credit agreement, means—

- (a) consigned or delivered by the vendor to the recipient at an address in an export country as evidenced by documentary proof acceptable to the Commissioner; or

...

- (d) removed from the Republic by the recipient or recipient’s agent for conveyance to an export country in accordance with any regulation made by the Minister in terms of this Act;

“**Industrial Development Zone (IDZ)**” has the meaning assigned thereto in section 21A of the Customs and Excise Act;

“**Industrial Development Zone (IDZ) operator**” has the meaning assigned thereto under section 21A of the Customs and Excise Act;

“**input tax**” in relation to a vendor, means—

- (a) tax charged under section 7 and payable in terms of that section by—
 - (i) a supplier on the supply of goods or services made by that supplier to the vendor; or
 - (ii) the vendor on the importation of goods by him; or
 - (iii) the vendor under the provisions of section 7(3);

...

where the goods or services concerned are acquired by the vendor wholly for the purpose of consumption, use or supply in the course of making taxable supplies or, where the goods or services are acquired by the vendor partly for such purpose, to the extent (as determined in accordance with the provisions of section 17) that the goods or services concerned are acquired by the vendor for such purpose;

“**licensed customs and excise storage warehouse**” means a warehouse licensed by the Commissioner at any place appointed for that purpose under the provisions of the Customs and Excise Act, which has been approved by the Commissioner for the storage of goods as may be approved in respect of that warehouse;

“**Republic**”, in the geographical sense, means the territory of the Republic of South Africa and includes the territorial waters, the contiguous zone and the continental shelf referred to respectively in sections 4, 5 and 8 of the Maritime Zones Act, 1994 (Act No. 15 of 1994);

“**supply**” includes performance in terms of sale, rental agreement, instalment credit agreement and all other forms of supply, whether voluntary, compulsory or by operation of law, irrespective of where the supply is effected, and any derivative of “**supply**” shall be construed accordingly;

“**tax invoice**” means a document provided as required by section 20;

“**vendor**” means any person who is or is required to be registered under this Act: Provided that where the Commissioner has under section 23 or 50A determined the date from which a person is a vendor that person shall be deemed to be a vendor from that date;

Section 7(1)(a) and (b) – Imposition of VAT

(1) Subject to the exemptions, exceptions, deductions and adjustments provided for in this Act, there shall be levied and paid for the benefit of the National Revenue Fund a tax, to be known as the value-added tax—

- (a) on the supply by any vendor of goods or services supplied by him on or after the commencement date in the course or furtherance of any enterprise carried on by him;
- (b) on the importation of any goods into the Republic by any person on or after the commencement date; and

...

calculated at the rate of 14 per cent on the value of the supply concerned or the importation, as the case may be.

Section 8(24) – Deemed supplies

(24) For the purposes of this Act, a vendor, being a customs controlled area enterprise or an IDZ Operator, shall be deemed to supply goods in the course or furtherance of an enterprise where movable goods are temporarily removed from a place in a customs controlled area to a place outside the customs controlled area, situated in the Republic, if those goods are not returned to the customs controlled area within 30 days of its removal, or within a period arranged in writing with the Controller...

Section 9(11) – Time of supply

(11) Where any supply of goods is deemed to be made as contemplated in section 8(24), that supply shall be deemed to take place on the last day of the applicable period as contemplated in section 8(24).

Section 10(25) – Value of supply

(25) Where any goods are deemed by section 8(24) to be supplied to any person, the consideration in money shall be deemed to be the open market value of those goods on the date contemplated in section 9(11).

Sections 11(1)(a)(i) and (a)(ii), (c), (m), (mA) and (u)– Zero-rating (goods)

(1) Where, but for this section, a supply of goods would be charged with tax at the rate referred to in section 7(1), such supply of goods shall, subject to compliance with subsection (3) of this section, be charged with tax at the rate of zero per cent where—

- (a) the supplier has supplied the goods (being movable goods) in terms of a sale or instalment credit agreement and—
 - (i) the supplier has exported the goods in the circumstances contemplated in paragraph (a), (b) or (c) of the definition of “exported” in section 1; or
 - (ii) the goods have been exported by the recipient and the supplier has elected to supply the goods at the zero rate as contemplated in Part 2 of an export incentive scheme referred to in paragraph (d) of the definition of “exported” in section 1: Provided that—
 - (aa) where a supplier has supplied the goods to the recipient in the Republic otherwise than in terms of this subparagraph, such supply shall not be charged with tax at the rate of zero per cent; and
 - (bb) where the goods have been removed from the Republic by the recipient in accordance with the provisions of an export incentive scheme referred to in paragraph (d) of the definition of “exported” in section 1(1), such tax shall be refunded to the recipient in accordance with the provisions of section 44(9); or
- (c) the goods (being movable goods) are supplied to a lessee or other person under a rental agreement, charter party or agreement for chartering, if the goods are used exclusively in an export country or by a customs controlled area enterprise or an IDZ Operator in a customs controlled area: Provided that this subsection shall not apply where a “motor car” as defined in section 1(1) is supplied to a person located in a customs controlled area; or
- (m) a vendor supplies movable goods, (excluding any “motor car” as defined in section 1), in terms of a sale or instalment credit agreement to a customs controlled area enterprise or an IDZ Operator in a customs controlled area and those goods are physically delivered to that customs controlled area enterprise or IDZ Operator in a customs controlled area either—
 - (i) by the supplier or
 - (ii) by a VAT registered cartage contractor, whose main activity is that of transporting goods and who is engaged by the supplier to deliver the goods and that supplier is liable for the full cost relating to that delivery; or
- (mA) a vendor supplies fixed property situated in a customs controlled area to a customs controlled area enterprise or an IDZ Operator under any agreement of sale or letting or any other agreement under which the use or permission to use such fixed property is granted; or
- (u) the supply of goods, other than the supply of goods by an inbound duty and tax free shop, which have been imported and entered for storage in a licensed Customs and Excise storage warehouse but have not been entered for home consumption; or

Section 11(2)(k) – Zero-rating (services)

(2) Where, but for this section, a supply of services would be charged with tax at the rate referred to in section 7(1), such supply of services shall, subject to compliance with subsection (3) of this section, be charged with tax at the rate of zero per cent where—

...

- (k) the services are physically rendered elsewhere than in the Republic or to a customs controlled area enterprise or an IDZ Operator in a customs controlled area; or

Section 13(3) – Collection of VAT on importation of goods

(3) The importation of the goods set forth in Schedule 1 to this Act is exempt from the tax imposed under section 7(1)(b).

Section 16(3)(n) – Calculation of tax payable

(3) Subject to the provisions of subsection (2) of this section and the provisions of sections 15 and 17, the amount of tax payable in respect of a tax period shall be calculated by deducting from the sum of the amounts of output tax of the vendor which are attributable to that period, as determined under subsection (4), and the amounts (if any) received by the vendor during that period by way of refunds of tax charged under section 7(1)(b) and (c) and 7(3)(a), the following amounts, namely—

...

- (n) an amount equal to the tax fraction of the lesser of the amount contemplated in section 10(25) or the open market value of the movable goods on the date—
- (i) those goods are returned to the customs controlled area enterprise or IDZ Operator; or
 - (ii) those goods are supplied by the customs controlled area enterprise or IDZ Operator where those goods are supplied after the relevant prescribed time period contemplated in section 8(24):

Section 18(10) – Adjustments

(10) Where—

- (a) goods or services have been supplied by a vendor at the zero rate under sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k) to a vendor, that is a customs controlled area enterprise or an IDZ Operator; or
- (b) goods have been imported into the Republic by a vendor, being a customs controlled area enterprise or an IDZ Operator and those goods are exempt from tax under section 13(3),

and where a deduction of input tax would have been denied under section 17(2), and to the extent that such goods or services are not wholly for consumption, use or supply within a customs controlled area in the course of making taxable supplies by that vendor, being a customs controlled area enterprise or an IDZ Operator, those goods or services shall be deemed to be supplied by the vendor concerned in the same tax period in which they were so acquired, in accordance with the formula:

$A \times B$

in which formula—

“A” represents the rate of tax levied under section 7(1); and

“B” represents—

- (i) the cost to the vendor of the acquisition of those goods or services which were supplied to him under sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k); or
- (ii) the value to be placed on the importation of goods into the Republic as determined under section 13(2).

Item No. 498.00 in paragraph 8 of Schedule 1 to the VAT Act – Exemption: Certain goods imported into the Republic

498.00 IMPORTED GOODS FOR USE IN A CUSTOMS CONTROLLED AREA

NOTES:

1. Goods may only be imported and entered into a customs controlled area under this item where such goods are imported by a customs controlled area enterprise or an IDZ Operator.
2. Notwithstanding other paragraphs or items provided for in this Schedule, goods may only be imported and entered into a customs controlled area under item 498.00, with the exception of any goods imported for storage in a licensed Customs and Excise storage warehouse located in a customs controlled area enterprise which may not be entered under item 498.00.

498.01/00.00/01.00 Goods that are imported into a customs controlled area by a customs controlled area enterprise

498.02/00.00/01.00 Goods that are imported into a customs controlled area by an IDZ Operator for use in the construction and maintenance of the infrastructure of a customs controlled area

2. The Customs and Excise Act

Section 21A – Provisions for the administration of customs controlled areas within industrial development zones.

(1) For the purposes of this section, unless the context otherwise indicates—

“**Customs Controlled Area**” or “**CCA**” means an area within an IDZ, designated by the Commissioner in concurrence with the Director General: Trade and Industry, which area is controlled by the Commissioner;

“**Industrial Development Zone**” or “**IDZ**” means an area designated by the Minister of Trade and Industry in terms of any regulation made in terms of the Manufacturing Development Act, 1993 (Act No. 187 of 1993);

“**IDZ Operator**”, “**CCA enterprise**” or any other expression as may be necessary, relating to any activity inside or outside an IDZ or a CCA shall have the meaning assigned thereto in any Schedule or rule.

Annexure B – Schematic representation of supplies of movable goods and/or services to, and/or from an enterprise located in a CCA of an IDZ

