



South African Revenue Service

Dear Tax Practitioner

NON-EXECUTIVE DIRECTORS: VAT REGISTRATION

On 10 February 2017, SARS issued binding general ruling (BGR) 41 which confirms that a Non-executive director (NED) who carries on an enterprise in/partly in SA is required to register and charge VAT in respect of any director's fees earned for services rendered as an NED if the value of such fees exceeds R1 million in any consecutive 12-month period.

A NED is required to register and charge VAT on fees with effect from 1 June 2017. In addition, a NED may also choose to register for VAT on a voluntary basis where the fees earned are a minimum of R50 000 in a 12-month period.

SARS has been receiving several operational queries regarding the VAT registration process and in particular, practical considerations for non-resident NEDs. In addressing these please note the steps in the VAT registration process, channels for registration, financial information and other related information:

VAT Registration process

The normal VAT registration requirements must be followed.

The following options are available for purposes of making the application:

- via eFiling
 - if the applicant is an existing eFiler, he/she can register for VAT via the RAV01 form. The applicant will be informed via eFiling if an interview is required in which case the VAT application (VAT101 form) must be completed
 - If the applicant is not an eFiler, he/she must first register as an 'eFiler user' and can then register for VAT via the RAV01 form
- At a SARS branch: the applicant can complete the VAT101 form and submit it in person at the nearest SARS Branch
- Important information to be completed:
 - The nature of person must be "sole proprietor"
 - The liability date must be 1 June 2017 unless the NED chooses an earlier date of liability
 - The main industry classification code is **2572**

A NED applying for payments basis of accounting for VAT must do so by selecting the relevant option on the VAT registration application form. Please note that the payments basis option only applies where the total value of taxable supplies made by a NED does not exceed R2.5 million in a 12 month period.

Financial Information

The following documents will be accepted as proof of turnover/financial information:

- Copy of letter of appointment as NED;
- Copy of the minutes of the director's meeting;
- Copy of a service contract/ agreement; or
- IRP5/IT3(a) certificate with source code 3620 (Directors Fees – RSA Resident NED) or 3621 (Directors Remuneration – Non-Resident NED)
 - Note: IRP5/IT3(a) certificates with these source codes will not be available prior to the issuing of the 2018 certificates by employers being April - May 2018
 - IRP5 certificates with source code 3620 will only be available where voluntary PAYE was withheld

Practical considerations apply to non-resident NEDs

- The VAT registration process and supporting documents as highlighted above, will apply
- The non-resident NED will have to appoint a representative vendor in SA, who controls the NED's affairs in SA or manages any enterprise of the NED in SA
- Details of a SA bank account must be provided.

For more information visit the SARS website on www.sars.gov.za Any additional queries may be sent to NEDEnquiries@sars.gov.za or call the SARS Practitioner Contact Centre on 0860 12 12 19.

Sincerely

THE SOUTH AFRICAN REVENUE SERVICE

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