Dear Sir/Madam

VALUE-ADDED TAX (VAT): COMMENTS TO DRAFT BINDING GENERAL RULING ISSUED IN RESPECT OF THE VAT TREATMENT OF THE SUPPLY AND IMPORTATION OF VARIOUS TYPES OF FROZEN POTATO PRODUCTS

We write with reference to SARS’s Draft Binding General Ruling (draft BGR) addressing the zero rating and import exemption of frozen potato products. Please find SAICA National Tax Committee’s response to the request for comments on the draft BGR.

We remark that the draft BGR correctly distinguishes between processes that are intended to preserve the product in its natural state (zero rated) and other processes intended to change the texture, look or taste of the product (standard rated).

Documentation/proof required to zero rate

Paragraph 2.1 of the draft BGR states that documentary proof should be retained in order to zero rate the supply by the vendor in terms of section 11(3). Interpretation Note No. 31 requires that a copy of the supplier’s zero-rated tax invoice setting out a proper description of the goods supplied is acceptable for the application of the zero rate contemplated in section 11(1)(j).

Since the description of the frozen potato product on the tax invoice would not refer to any of the processes mentioned in 2.1 and 2.2 of the BGR, we assume that SARS would accept a description such as “frozen potato chips” as sufficient. We respectfully request that the final BGR be updated to include clarification to this effect.
Please do not hesitate to contact us, should you have any questions regarding the above.

Yours faithfully

Piet Nel CA(SA)
PROJECT DIRECTOR: TAX
The South African Institute of Chartered Accountants