

MODULE 12

VALUE ADDED TAX (VAT)

TASK 12.1 SARS and VAT: Baseline assessment

Learners to use their own stationery for this task.

Peer Assessment Form

Each learner must assess his/her partner based on whether they understand the explanations given to them.

CRITERIA	YES – shows understanding	NO – lacks knowledge
Reasons why the South African government levies taxes.		
Name and briefly discuss at least 5 different forms of tax levied in South Africa.		
Understands that VAT is levied on goods and services in this country.		
Understands that VAT is recorded against most sales.		
Understands that VAT is recorded against most purchases.		
Understands that the amount paid to SARS or refunded is a difference between VAT on sales and purchases.		
Can distinguish between standard, zero-rated and exempted items.		
Understands which vendors have to register as a VAT trader.		
Understands that some vendors might voluntary register for VAT.		

TASK 12.2 Add VAT to cost price and mark-up

No.	Cost Price	Mark-up	Exclusive: Selling Price	VAT (15%)	Inclusive: Selling Price
12.2.1	R25	R20	R45	R6.75	R51.75
12.2.2	R110	R25			
12.2.3	R280	10%			
12.2.4	R540		R648		
12.2.5		25%	R875		

TASK 12.3 Calculate VAT from VAT inclusive amount

No.	Exclusive: Selling Price	VAT (14%)	Inclusive: Selling Price
12.3.1			R552
12.3.2			R828
12.3.3			R92
12.3.4			R897
12.3.5			R529

TASK 12.4 Calculate VAT from VAT inclusive and exclusive amount

No.	Cost Price	Mark-up	Exclusive Selling Price	VAT (14%)	Inclusive Selling Price
12.4.1	R430	20%			
12.4.2		30%	R494		
12.4.3	R720				R1 242
12.4.4		R66.60	R795		
12.4.5		R265			R1 495

TASK 12.5 VAT calculations and interpretation

12.5.1	List three other forms of taxes levied in South Africa.
12.5.2	What is the current rate of VAT in South Africa?
12.5.3	Which Ministry of the Government has the authority to adjust the rate of VAT?
12.5.4	Briefly explain the following concepts in respect of VAT.
	<ul style="list-style-type: none"> • Standard rated items
	<ul style="list-style-type: none"> • Zero-rated items

• **VAT exempted items**

12.5.5 Indicate in the table below whether the following are standard rated, zero-rated or VAT exempted. Place an X in the relevant columns.

GOODS/SERVICES	Standard rated	Zero-rated	VAT exempted
Rent paid on an outbuilding for domestic use			
Hotel accommodation			
White bread			
Rice			
Mealie rice			
School fees			
Water and electricity			
Interest on loan			
Baked beans			
Fruit			

12.5.6 Explain the following VAT related concepts:

• **Input VAT**

• **Output VAT**

12.5.7 Complete the following table. Assume that all goods and services are subject to VAT at 15%.

TRANSACTION	Value exclusive of VAT	VAT amount	Value inclusive of VAT
Credit sales	16 200		
Cash sales			37 260
Cash purchases of trading stock		3 405	
Credit purchases of trading stock			20 815
Goods taken by the owner for personal use	2 000		
Goods returned to suppliers		270	
Goods returned by customers	600		
Account of a debtor written off			460
Discount allowed on credit sales	300		

12.5.8 12.5.8.1 Is Mona’s Supermarket a VAT registered vendor? Give a reason for your answer.

12.5.8.2 Calculate the amounts that should be indicated at:

- **A**

- **B**

12.5.8.3 Calculate the selling price of the washing powder exclusive of VAT.

12.5.8.4 Calculate the change that the cashier would have handed to you.

TASK 12.6 ☼💧**Durban Traders (1): Bad debts and ethics**

12.6.1	The amount that had to be written off the account of B. Botha.
12.6.2	The adjusted amount of VAT that Durban Traders is liable to pay SARS in respect of this sales invoice no DB 143.

TASK 12.7 ☼💧💧**Durban Traders (2): Transaction analysis on Bad debts and VAT**

No.	GENERAL LEDGER ACCOUNT		EFFECT ON ACCOUNTING EQUATION		
	Debited	Credited	Assets	Owners Equity	Liabilities
12.7.1					
12.7.2					
12.7.3					

TASK 12.8 **Eshowe Wholesalers: Difference between trade discount and discount for prompt cash payment**

12.8.1	Calculate the total amount that Tulani Retailers will pay Eshowe Wholesalers if they pay the full amount on 25 September 20.1.
12.8.2	Calculate the total amount that Tulani Retailers will pay Eshowe Wholesalers if they pay the full amount on 15 August 20.1.

12.8.3 Calculate the third and final amount that Tulani Retailers will pay Eshowe Wholesalers on 18 December 20.1 if they had made two payments on the following dates:

- A first payment of R15 000 on 29 July 20.1.
- A second payment of R8 000 on 31 August 20.1.

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TASK 12.9 **Smit Traders: VAT and Sales returns**

**GENERAL LEDGER OF SMIT TRADERS
DEBTORS CONTROL**

Dr							B	Cr

DEBTORS ALLOWANCES

						N		

VAT OUTPUT

						B		

TASK 12.10 ⌘ **Ixopo Traders: VAT and purchases returns**

**GENERAL LEDGER OF IXOPO TRADERS
CREDITORS CONTROL**

Dr								B	Cr

TRADING STOCK

N

VAT INPUT

B

TASK 12.11 ⌘  **Transaction Analysis on returns and VAT**

No.	GENERAL LEDGER ACCOUNT		EFFECT ON ACCOUNTING EQUATION		
	Debited	Credited	Assets	Owner's Equity	Liabilities
12.11.1					
12.11.2					
12.11.3					
12.11.4					

TASK 12.12 ⌘  **Soweto Traders: Calculation of balance in VAT control account**

**GENERAL LEDGER OF SOWETO TRADERS
VAT CONTROL ACCOUNT**

B

TASK 12.13 ⌘  **Bad debts and ethics**

Learners to use their own stationery for this task.

TASK 12.14 ⌘  **Ethics and fraud**

•	Why do you think people commit fraud?

•	How do they manage to defraud (cheat) SARS?
•	Discuss the following slogan as portrayed by SARS "Your tax quenches the nations' thirst" and the effect of fraud on the country.

TASK 12.15 ☹️💧💧💧 **Case study: Interpretation and tax fraud**

12.15.1	Write out the full name for the following acronyms (abbreviations).
<ul style="list-style-type: none"> • SARS • VAT • SAICA • SAIPA 	
12.15.2	Briefly explain ONE function of SAICA.

12.15.3	Explain who or what is a VAT vendor?
12.15.4	What is the minimum annual turnover for compulsory VAT registration?
12.15.5	How much does SARS pay out monthly for VAT claims?
12.15.6	Explain briefly what you understand by the term "biometric verification".
12.15.7	According to Gugu Smit what is South Africa's tax system based on? State at least THREE elements.
12.15.8	According to the article how do businesses commit VAT fraud?
12.15.9	How did SARS detect fraud in the case of Dr Tulani Colin Khan?

12.15.10	Do you agree with the punishment given? Give ONE reason for your answer.
12.15.11	Do you think that newspapers should be allowed to publish details of court cases of fraud and corruption committed by private individuals, businesses people and government officials?

No.	Fraud by	Yes/ No	Reason
A	Private Individual		
B	Business people		
C	Government officials		

CHECKLIST

Skills	Yes – proficient	Requires more attention	Complete
Understands the need for taxes.			
Understands how VAT works.			
Can calculate the amount of VAT if the price quoted is exclusive.			
Can calculate the amount of VAT if the price quoted is inclusive.			
Understands the difference between invoice and receipt base for the payment of VAT.			
Appreciates the penalties attached to fraud and evasion.			
Appreciates the effect on the economy if tax evasion takes place.			