



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**CONTRACT MANAGEMENT**

Enquiries: Zanele Mkhwanazi  
Tel: (012) 315 5986  
Fax: 012 315 5058  
E mail: [zanele.mkhwanazi@treasury.gov.za](mailto:zanele.mkhwanazi@treasury.gov.za)  
Ref: **VAT INCREASE**

---

**NOTICE TO ALL PARTICIPATING DEPARTMENTS AND APPOINTED SERVICE PROVIDERS**

**VALUE ADDED TAX INCREASE EFFECTIVE FROM 1 APRIL 2018**

---

**1. PURPOSE**

The purpose of this communication is to inform all Participating Departments and appointed Service Providers of the Value Added Tax increase applicable on all Transversal Term Contracts.

**2. BACKGROUND**

2.1 The Minister of Finance announced in February 2018 that Value Added Tax will increase from 14% to 15%. This increase took effect on 1 April 2018.

**3. IMPLEMENTATION**

3.1 All transversal contract prices have been adjusted and contract circulars have been updated accordingly to reflect the 15% Value Added Tax increase.

3.2 In line with Section 9 of VAT Act 89 of 1991, sub-section 1, VAT rate is applicable at the point in time when an invoice is issued and as such, the following shall apply:

- Where goods were delivered or service were rendered before or on 31 March 2018, but the invoices were not issued at that time, the applicable VAT rate must be at 14% when the invoices are issued;
- If Purchase Orders were created by 31 March 2018 but goods and services were not delivered by 31 March 2018, the VAT rate must be adjusted to the new rate of 15%;
- If Purchase Orders were created and a partial delivery has been made before or on 31 March 2018, then the accrual amount of the delivered goods and services to be rendered after 31 March 2018 must be adjusted to the new rate of 15%.

Compiled by:

*Z Mkhwanazi*

**ZANELE MKHWANAZI**  
**DIRECTOR: TRANSVERSAL CONTRACTING, VEHICLES AND SERVICES**  
**For CHIEF DIRECTOR: TRANSVERSAL CONTRACTING**  
**DATE: 01 NOVEMBER 2018**