

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER PQ 2600

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Mr S J F Marais (DA) to ask the Minister of Finance:

- (1) Whether value-added tax (VAT) is payable to and/or deductible by the SA Revenue Service (SARS) on Lotto grants made to sport organisations by the National Lottery Distribution Trust Fund (NLDTF); if so,
- (2) whether such VAT payable to or deductible by SARS decreases the amount paid out to and available to the beneficiary organisation which amount it obtained from the NLDTF on the basis of its approved business plan; if not, who pays the VAT; if so, (a) what are the comprehensive and qualified reasons as to the circumstances where such deduction from a Lotto grant applies, (b) is such deduction by or payment in VAT to SARS deemed by the National Treasury to be spending in contravention of the business plan in terms of which the grant was obtained and (c) does the National Treasury deem such VAT payment to or deduction by SARS a breach of the Lotto conditions under which the beneficiary obtained the grant? NW3087E

REPLY:

- (1) The lotto grant paid by the NLDTF to a sports organisation will generally not be subject to VAT. However, one of the requirements of the NLDTF in giving a grant is that the recipient must provide certain advertising services¹ to acknowledge the donation by the NLDTF. As a result, if the sports organisation is a vendor, VAT at the rate of 14 per cent has to be paid over to SARS on the amount received for the advertising services.
- (2)(a) The VAT paid by the sports organisation should not reduce the amount the sports organisation is required to spend in terms of its approved business plan. The VAT payable to SARS on the advertising services will generally be equal to the VAT that the sports organisation will be entitled to deduct in providing the advertising services, e.g. the VAT incurred on erecting a billboard. As discussed above, the sports organisation will not be liable for VAT on the greater part of the amount received from the NLDTF.
- (b) No. The payment of the VAT to SARS on the supply of advertising services to the NLDTF would not be regarded as an expense in contravention of the business plan. The liability and payment of VAT by the sports organisation in respect of the advertising services arises as a result of the operation of law i.e. the VAT Act.
- (c) No. The reasons provided in (b) above are equally applicable to this question.

¹ It is understood that the Grant Agreement entered into between the NLDTF and the grant recipient contains a stipulation that the grant is conditional on the submission of a detailed publicity plan for the NLDTF and the agreement contains contractual provisions concerning the acknowledgement that the project is funded with proceeds from the NLDTF.