

VALUE ADDED TAX INCREASE EFFECTIVE 1 APRIL 2018

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6 March 2018



WHAT IS VAT?

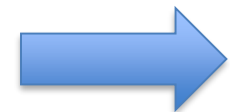
- Value Added Tax is commonly known as VAT;
- VAT is an indirect tax on the consumption of goods and services the economy;
- Revenue is raised for government by requiring certain businesses to register and to charge VAT on the taxable supply of goods and services;
- Administration and managed care services are deemed to be taxable supplies and therefore these entities are required to be registered as VAT vendors;

Why – It is mandatory for a person to register for VAT if the taxable supplies made or to be made is, in excess of R1 million in any twelve month consecutive period. Hence these providers are required by law to be registered VAT vendors.

VAT AMENDMENTS:

VAT increases from 14% to 15% with effect from the 1st of April 2017;

Impact on schemes -



VAT AMENDMENT – IMPLICATION FOR SCHEMES

WHERE FEES ARE STATED – EXCL VAT 14%

- Agreement states that admin fee is R100 excluding Vat:

Admin fee excl Vat	R100	Income earned by provider
Vat portion at 14%	R14	Vat portion paid over to SARS
Total admin fee	R114	Total amount paid by the scheme

WHERE FEES ARE STATED – EXCL VAT 15% AMENDMENT

- Agreement states that admin fee is R100 excluding Vat **an increase of R1 on VAT** :

Admin fee excl Vat	R100	Income earned by provider
Vat portion at 15%	R15	Vat portion paid over to SARS
Total admin fee	R115	Total amount paid by the scheme

VAT AMENDMENT – IMPLICATION FOR SCHEMES

WHERE FEES ARE STATED – INCL VAT 14%

- Agreement states that admin fee is R100 including Vat:

Total admin fee	R87,72	Income earned by provider
Vat portion at 14%	R12,28	Vat portion paid over to SARS
Cost price	R100	Total amount paid by the scheme

WHERE FEES ARE STATED – INCL VAT 15% AMENDMENT

- Agreement states that admin fee is R100 including Vat – implication is **an increase of R0,76 on VAT:**
- Thus contract should be amended to R 100,87

Admin fee incl Vat	R86,96	Income earned by provider
Vat portion at 15%	R13,04	Vat portion paid over to SARS
Total admin fee	R100	Total amount paid by the scheme

AMENDMENTS TO AGREEMENTS

- **AGREEMENT STATES RXX EXCLUDING VAT:**

- If the agreement does not state the VAT percentage and only states “VAT:”
 - No specific need to amend agreement as VAT is a legislated amount /percentage;
- **However, if the agreement specifies VAT at 14% then agreements should be amended to reflect the following:**
 - New VAT amount at 15%
 - Legislated VAT amount
 - Easier to state legislated amount should VAT change in future.

- **AGREEMENT STATES RXX INCLUDING VAT:**

- If the agreement does not state the VAT percentage and only states “VAT”:
 - No specific need to amend agreement as VAT is a legislated amount /percentage and assumption is that the legislated amount will be applied;
- **However, if the agreement specifies VAT at 14% then agreements should be amended to reflect the following:**
 - New VAT amount at 15%
 - Legislated VAT amount

VAT INCREASE – EFF 1 APRIL 2018:

Admin fees levied in arrears:

Admin fees for services rendered in March will only be charged and levied on 31 March 2018.

Thus the March 2018 fees should not have the new VAT amount – still at 14%.

April fees should be levied at 15%.
Levied at 30 April 2018.

Admin fees levied in advance:

Admin fees charged for services rendered in March will be charged on the 1st of March 2018.

Thus the March 2018 fees should not have the new VAT amount – still at 14%.

April fees should be levied at 15%.
Levied at 1 April 2018.

VAT INCREASE – EFF 1 APRIL 2018:

Example of fees that may be affected by VAT increase:

1. Administration fees;
2. Managed care fees;
3. **Brokerage fees - make sure that this is applied correctly;**
4. Marketing fees;
5. Printing and stationery;
6. Any other services that are rendered by registered VAT vendors to schemes.

- **APPLICATION:**

- From 1 April 2017 schemes will be levied at 15% on all services that are rendered from providers that are registered VAT vendors;
- Will impact on the schemes' non-health care expenditure;
- Schemes should ensure that they put mechanisms in place that will assist in decreasing their non-healthcare expenditure.

The End!!!

QUESTIONS????????