Presentation to seminar


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Value Added Tax

Legislation and application
Prior to 2000...

Business Address Register
irregularly and unsystematically updated;
deficient in coverage, resulting in biased estimates.

In 2000...
- Legislation changed
- Business Register redesigned
- Value Added Tax (VAT) - primary source

To note: took many years of negotiations and changes to various pieces of legislation
How does VAT legislation works?

- threshold (annual turnover)
- vendors have to register for VAT
- record point of sale turnover
- complete VAT returns (form) submit to SARS
- below threshold

To note: there are undoubtedly a significant number of vendors with turnover below the threshold that are not registered

- legal entity - register for one or more VAT account
- decision - based on practical and administrative considerations

(For example there may be different VAT accounts for different geographical, administrative, activity or accounting units)

- more than one VAT account referred to as a branch
Who registers for VAT?

The vendor registering for VAT may be a:
- **legal person** (corporation, non-profit organisation) or;
- **natural person** with a business (individual entrepreneur, or partner in an unincorporated partnership), or;
- other type of organisation with legal status.

Summary:
a vendor is any form of *legal entity* and may register for VAT without being registered with DTI as a legal person, or with SARS as an income tax payer.
Update of Business Register

Process at Stats SA

*Integrated Business Register* (IBR) - VAT with other administrative data

The IBR is a database - on behalf of the contributing administrative agencies

VAT data are extracted on a monthly basis from the IBR to update the *Business Sampling Frame (BSF)*

*Snapshots* of the BSF are taken from which the Common Sampling Frame is derived

Sampling frames are constructed for each survey and samples are loaded into the *Survey Management System (SMS)*
VAT related background information

- VAT Registration data may be updated any time

- **Legal entity** has to make VAT returns on a regular basis

- VAT payment frequency is **monthly, quarterly or bi-annual** - frequency depending upon its total annual turnover or industrial classification.

- The transaction data collected from a VAT return is used to calculate turnover.

To note: VAT data are designed to serve administrative purposes. Disadvantages of using VAT to maintain a BR
VAT related background information

- A VAT registration remains in the SARS database, flagged by the *life status code* as *active* for as long as there is a VAT liability, even if the corresponding legal entity has ceased to be economically active.

- SARS puts its efforts into ensuring correct reporting of turnover and VAT liability. Other information, in particular economic activity, may be less accurately reported and less frequently (if at all) checked. The focus is different.
VAT related background information

- **Self classification of economic activity** - the description of the economic activity associated with the VAT branch is completed by the VAT registrant.

- SARS has its own classification
- Concordance done to current classification used by Stats SA

- Reference identification numbers of income tax or DTI registrations (if any) are requested but not obligatory, and thus often not completed or incorrectly completed.

- Measure of size - only VAT turnover
Units model Structure

Operating Entities
- Operating Structure
  - Legal Entities
    - Legal Structure
  - Organisational Data
- Administrative Data
  - ITs
  - VAT-Rs
  - VAT-Bs
  - PAYEs
  - UIFs
  - SDLs

Clusters
- ENs
  - KAU
  - GEO

Sampling Units
- Observational Units
  - Reporting Arrangements

Administrative Data Processing
- Profiling
- Sampling
- Survey
General

Stats SA receives VAT transaction data monthly.

The VAT data are used to update the VAT tables within the BDB.

From these administrative data, the statistical tables within the BSF are updated.

This is the primary source of BSF changes

Business Rules are developed and applied to VAT file
In particular:

- **new** VAT record a new:
  - enterprise (EN)
  - kind of activity (KAU) and
  - geographic (GEO)

- **existing** VAT record with changes:
  - the corresponding changes are made to the linked EN and GEO
  - (but only for those ENs not within the investigation set, that is, not significant according to specified criteria)

ENs within the investigation set, no automatic updates take place instead a list of enterprises is generated for investigation and manual update by staff of the Business Register.
In particular:
Investigation set
• generated with each VAT update

• VAT investigations are dealt with within a month from the VAT update. This improves the BSF’s reflection of the real world

• EN’s - changes in location, economic activity, merges etc

• VAT download Schedule is created & strictly followed to avoid backlogs
VAT branch registration details

Details At Registration
- total assets: R0,00
- total liabilities: R0,00
- payment frequency: 2-monthly (even months)
- voluntary registration for VAT: Compulsory registration
- language preference: Afrikaans

Delivery Of Goods and Services
- VAT liabilities: R192,000,00
- exempt: R0,00
VAT branch - classification

SARS Classification
- SIC code: 3410
- SIC text: Market agents

STATS SA Classification
- SIC code: 61101
- SIC text: Sales by commission agents
### Frame creation

<table>
<thead>
<tr>
<th>Description</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Snapshot of BSF</strong> (All EN’s)</td>
<td>3.4 million EN’s</td>
</tr>
<tr>
<td><strong>Common main frame</strong> (Ceased &amp; deactivated excluded)</td>
<td>2.6 million EN’s</td>
</tr>
<tr>
<td><strong>Common Financial frames</strong></td>
<td>575 637 EN’s</td>
</tr>
<tr>
<td>(VAT only; Income Tax and VAT)</td>
<td></td>
</tr>
<tr>
<td><strong>Individual economic survey samples</strong></td>
<td></td>
</tr>
<tr>
<td>Commercial agriculture, Annual &amp; Quarterly Financial Statistics, Food and beverages, monthly trades, Transport, Quarterly Employment, etc</td>
<td></td>
</tr>
</tbody>
</table>
Units model Structure

**Organisational Data**
- Operating Entities
  - Operating Structure
    - Legal Entities
      - Legal Structure

**Administrative Data**
- ITs
- VAT-Rs
- PAYEs
- UIFs
- SDLs

**Clusters**
- ENs
- KAU
- GEO

**Sampling Units**
- Sampling Units
- Observational Units
  - Reporting Arrangements

**Administrative Data Processing**
- Profiling
- Sampling
- Survey
Thank you