

## THE EFFECT OF THE CHANGE IN VAT RATE FROM 14% TO 15% ON FIXED PROPERTY TRANSACTIONS AND ESTATE AGENTS COMMISSION.

### Commercial Property

The rate of VAT to be charged is the rate that applies

- On the date of registration of transfer of the property in a Deeds Registry; or
- the date that any payment of the purchase price is made to seller - Whichever occurs first.

*NOTE: Proceeds held in trust do not constitute a payment that has been made to seller.*

### Residential Property

The VAT rate of 14% may be applied if all the following conditions are met:

- You concluded a written agreement to buy the dwelling ("residential property") before 1 April 2018;
- Both the payment of the purchase price and the registration of the property in your name will only occur on or after 1 April 2018; and
- The VAT-inclusive purchase price was determined and stated as such in the agreement.

If the conditions are not met, VAT at 15% applies.

"For the purposes of the "rate specific rule", "Residential property" includes:

- An existing dwelling, together with the land on which it is erected, or any other real rights associated with that property;
- So-called plot-and-plan deals where the land is bought together with a building package for a dwelling to be erected on the land; or
- The construction of a new dwelling by any vendor carrying on a construction business."

*NOTE: Where the payment of the purchase price to the seller and the registration in the deeds Office has occurred before 1 April 2018, the 14% applies.*

### Estate Agent Commission:

The VAT rate applicable on the commission will depend on:

- the "time of supply" AND
- the period to which the services relate.

The "time of the supply" is the earlier of the date the invoice is issued or the payment of the estate agency commission. Invoices may only be issued after the Transfer of the property has been affected.

*NOTE: The date the contract was concluded or the date of registration of the property is not relevant for VAT purposes unless it coincides with the "time of supply"*

The period to which the services relate runs from the time the property is listed for sale (when the service was first rendered) to the "time of the supply".

If the period to which the services relate starts before 1 April 2018, an apportionment must be made on a fair and reasonable basis for the value of the service performed before and after 1 April 2018.

The value of the part of the service which falls before 1 April 2018 will be taxed at 14% and the part that falls on or after 1 April 2018 will be taxed at 15%.

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*Information sourced from: SARS - VAT FAQ Increase in the VAT Rate on 1 April 2018 - External Guide.pdf*