ACTIVITY 6.1

1. **What does VAT stand for?**

Value added tax

1. **Why does SARS levy VAT? What did they use the money for?**

VAT is levied on value added to a product. The money is used for budget expenditure.

1. **What exactly is meant by *“Input VAT”*?**

Input VAT is VAT paid by the business on any goods and services purchased.

1. **I am hosting a luncheon for my salesmen during next week. Can I claim the VAT on the food that I purchase for the occasion?**

No

1. **The lady at SARS said something about 3 VAT rates. What is she referring to? Name these rates and give TWO examples of each.**

**Zero-rated items:** VAT is charged at 0%. Eg. Fresh fruit and vegetables, brown bread

**Standard rated items:** VAT is charged at 15%. Eg. Clothes, frozen foods

**Exempted items:** No VAT is charged on these goods, due to the fact that it is taxed in some other way, Eg. Fuel, salaries

1. **My clients are given the option to open an account with Buy a Better Game. Should the VAT on sales be paid over upon issuing of invoices or should I pay it over once they pay their accounts. What are my options?**

A business is automatically registered on the Invoice basis, this means the business have to pay the VAT even though the business has not received the money from the customer. A business can request to be registered on the Receipt basis; this means the business only has to pay the VAT to SARS once they have received the money form the customer.

1. **A month ago, the Pet Shop of Le Roux Viljoen was visited by SARS for a VAT- audit. He is in big trouble now because of irregular areas in his VAT records. What can I do to avoid the same happening to Buy a Better Game?**
   * Calculate VAT correctly on all items purchased and sold.
   * Ensure that VAT is charged and recorded for all transactions.
   * Submit VAT 201 regularly.

**ACTIVITY 6.2**

Calculate the missing figure. Round all answers of to two decimals.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No** | **Cost price** | **% mark up** | **VAT Exclusive** | **VAT** | **VAT inclusive** |
| **1** | **R200** | **50%** | **R300** | **R45** | **R345** |
| **2** | 100/125 x R933.33 = R746.66 | **25%** | 100/15 x R140  = R933.33 | **R140** | 115/15 x 140 = R1 073.33 OR  R933.33 + R140 |
| **3** | **R400** | [(R640 – R400)  ÷ R400] x 100 = 60% | **R640** | 15/100 x R640  = R96 | R640 + R96 = R736 OR  115/100 x R640 |
| **4** | **R900** | [(R1 200 – R900) ÷ R900] x 100 = 60% | **R1 200** | 15/100 xR1 200  = R180 | R1200 + R180  = R1 380 OR  115/100 x 1200 |
| **5** | 100/120 x R2379.13 = R1982.61 | **20%** | R2 736 – R356.87 = R2379.13 OR  100/115 x R2736 | 15/115 x R2736  =R356.87 | **R2 736** |
| **6** | **R500** | **30%** | 130/100 x R500  = R650 | 15/100 x R650  = R97.5 | R650 + R97.5 = R747.50 OR  115/100 x R650 OR  115/15 x R97.5 |
| **7** | 100/125 R700 = R560 | **25%** | R805 – R105 = R700 OR  100/15 x R105 | **105** | 115/15 x R105  = R805 |
| **8** | **R1 000** | [(R1387.83 – R1000) ÷ 1000]  x 100 = 38.78% | 100/115 x R1596 = R1387.83 OR  R1596 – R208.17 | 115/15 x R1596  = R208.17 | **R1 596** |

**ACTIVITY 6.3**

**Mthembu Supply Store**

|  |  |
| --- | --- |
| Sales for cash | R347 000 – R74 000 = R273 000  R273 000 x 15/115 = R35 608.70 |
| Sales on credit | R210 000 15/115 = R27 391.29 |
| Purchase of stock for cash | R176 500 15/115 = R23 021.74 |
| Purchase of merchandise on credit | R214 000 – R89 000 = R235 000  R125 000 x 15/115 = R16 304.35 |
| Purchase of shop equipment and shelving on  credit. | R36 000 x 15/115 = R4 695.65 |
| Monthly rent paid | NO VAT |
| Monthly water and electricity paid | R16 000 x 15/115 = R2 086.96 |
| Monthly fuel account per cash invoices | NO VAT |
| Salaries and wages paid by cheque | NO VAT |

|  |  |
| --- | --- |
| **INPUT VAT** | **OUTPUT** |
| R23 021.74 + R16 304.35 + R4 695.65 + R2 086.96  =R46 108.70 | R35 608.70 + R27 391.29 =  R62 999.99 |
| R62 999.99 – R46 108.70 =R16 891.29 payable | |

ACTIVITY 6.4 HP STORES REQUIRED:

|  |  |
| --- | --- |
| Sales | R27 830 – R5 000 = R22 830 x 15/115 = R2 977.33 |
| Credit purchases of stock | R12 000 x 15/100 = R1 800 |
| Stock returned by debtors | R308 |
| Bad debts written off | R4 554 x 15/115 = R594 |
| Discount allowed | R74 |
| Drawings | R3 200 x 15/100 = R480 |

|  |  |
| --- | --- |
| **OUTPUT VAT** | **INPUT VAT** |

|  |  |
| --- | --- |
| DJ + CRJ + DRAWINGS – DAJ - BAD  DEBTS – DISCOUNT ALLOWED | CJ + CPJ +PCJ -CAJ |
| R2 977.83 + R480 - R308 - R594 - R74  == R2 481.83 | R1 800 |
| R2 850 + R2 481.83 – R1 800 = R3 531.83 | |

The internal auditor discovered that the owner used the VAT collected from customers to pay expenses of the business. Therefore, he was unable to pay the VAT owed to SARS on the due date. State ONE point of concern that you would offer the owner concerning this practice.

This is not only unethical, but illegal. The owner can be charged with fraud and tax evasion and will be fined or even jailed.

ACTIVITY 6.5 REQUIRED:

MAZZA STORES

Input VAT

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Creditors control | CJ | 3 360 |  |  | Creditors control | CAJ | 700 |
|  |  | Bank | CPJ | 7 900 |  |  | VAT Control |  | 10 620 |
|  |  | Petty cash | PCJ | 60 |  |  |  |  |  |
|  |  |  |  | **11 320** |  |  |  |  | **11 320** |
|  |  |  |  |  |  |  |  |  |  |

**Output VAT**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Debtors control | DAJ | 560 |  |  | Debtors control | DJ | 4 900 |
|  |  | VAT Control |  | 7 240 |  |  | Bank | CPJ | 2 900 |
|  |  |  |  | **7 800** |  |  |  |  | **7 800** |
|  |  |  |  |  |  |  |  |  |  |

**VAT Control**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Input VAT |  | 10 620 |  |  | Output VAT |  | 7 200 |
|  |  |  |  |  |  |  | Balance |  | 3 380 |
|  |  |  |  | **10 620** |  |  |  |  | **10 620** |
|  |  | Balance |  | 3 380 |  |  |  |  |  |

ACTIVITY 6.6 REQUIRED:

SMILEY TRADERS

Input VAT

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Creditors control | CJ | 1 124 |  |  | Creditors control | CAJ | 160 |
|  |  | Bank | CPJ | 1 748 |  |  | VAT Control |  | 2 935 |
|  |  | Petty cash | PCJ | 99 |  |  |  |  |  |
|  |  |  |  | **3 095** |  |  |  |  | **3 095** |
|  |  |  |  |  |  |  |  |  |  |

**Output VAT**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Debtors control | DAJ | 112 |  |  | Debtors control | DJ | 1 050 |
|  |  | General Journal (56 +28) |  | 84 |  |  |  |  |  |
|  |  | VAT Control |  | 1 918 |  |  | Bank | CPJ | 1 064 |
|  |  |  |  | **2 114** |  |  |  |  | **2 114** |
|  |  |  |  |  |  |  |  |  |  |

**VAT Control**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Input VAT |  | 2 935 |  |  | Output VAT |  | 1 918 |
|  |  |  |  |  |  |  | Balance |  | 1 017 |
|  |  |  |  |  |  |  |  |  |  |
|  |  | Balance |  | 1 017 |  |  |  |  |  |

ACTIVITY 6.7 ROTA TRADERS

**VAT Control**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | Bank | CPJ | 4 335 |  |  | Bank | CRJ | 10 230 |
|  |  | Creditors control | CJ | 6 360 |  |  | Debtors control | DJ | 4 740 |
|  |  | Debtors control | DAJ | 300 |  |  | Creditors control | CAJ | 570 |
|  |  | Bad debts | GJ | 127,50 |  |  | Drawings | GJ | 225 |
|  |  | Petty cash | PCJ | 330 |  |  |  |  |  |
|  |  | Balance |  | 4 312,50 |  |  |  |  |  |
|  |  |  |  | **15 765** |  |  |  |  | **15 765** |
|  |  |  |  |  |  |  | Balance |  | 4 315,50 |
|  |  |  |  |  |  |  |  |  |  |

**CALCULATIONS**

|  |  |
| --- | --- |
| **CRJ** | 68 200 x 15/100 = 10 230 |
| **DJ** | 31 600 x 15/100 = 4 740 |
| **CPJ** | 28 900 x 15/100 = 4 335 |
| **CJ** | 42 400 x 15/100 = 6 360 |
| **DAJ** | 2 000 x 15/100 = 300 |
| **CAJ** | 3 800 x 15/100 = 570 |
| **Drawings** | 1 500 x 15/100 = 225 |
| **Bad debts** | 850 x 15/100 = 127,50 |
| **PCJ** | 2 200 x 15/100 = 330 |