



## KWAZULU-NATAL PROVINCIAL TREASURY

### MUNICIPAL FINANCE

Our Ref: 11/6/13/6  
Enquiries: Mr M. Ndumo  
Date: 12 April 2016

**TO: MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICER  
KWAZULU NATAL MUNICIPALITIES**

#### **PROVINCIAL TREASURY CIRCULAR TC/RM1 OF 2016/17**

#### **TAX COMPLIANCE STATUS AND TAX INVOICES**

The objective of this circular is to draw the attention of Accounting Officers of municipalities and municipal entities as well as Supply Chain Management Officers (SCM) about the implementation of new electronic system on Tax Compliance Status (TCS) by South African Revenue Service (SARS) and communication on Tax Invoices.

#### **1. Tax compliance status: changes to tax clearance certificates**

In terms of Regulation 43(2) of the Municipal Supply Chain Management Regulations, *before making an award to a person, a municipality or municipal entity must first check with SARS whether that person's tax matters are in order.*

It is therefore necessary to ensure that the persons conducting the business with the state are tax compliant at the date of submission and awarding of a bid as well as for the full duration of their respective contracts.

To give effect to above, SARS will be implementing an electronic TCS system which will enable Accounting Officers and Accounting Authorities to verify and continuously track the compliance status of all persons conducting the business with the State.

As a first step, it is important that the SCM officials are added on as E filling users to the E filling Log in profile that already exists within your institution in order that such functionality may be used.

SARS will be conducting roadshows regarding the TCS and the dates for the roadshows will be communicated in due course.

Attached, please find the detailed information on TCS which will be implemented from **18 April 2016**. It is required that the information is distributed and shared among all officials in the SCM Unit. All further information required regarding the TCS should be emailed to [GovernmentInstitute@sars.gov.za](mailto:GovernmentInstitute@sars.gov.za).

## 2. Tax Invoice

One of the main findings from SARS audits is that many municipalities are submitting inadequate supporting information on Input Tax Claims. To ensure that the sufficient information is submitted to SARS when completing the VAT Returns and also replying to queries raised by SARS, municipalities are required to refer to the attached documents on *Valid Invoice* as well as *Checklist Value-Added Tax (VAT) Invoices*.

Yours faithfully



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**Mr F. Cassimjee**  
**Chief Director: Municipal Finance**

cc. Mayor  
Vanuja Maharaj, Business Executive – KZN Auditor General  
Shanitha Ramharak, Government Institutional Compliance – SARS

# Need a Tax Clearance Certificate?

**From 18 April 2016  
you can log onto eFiling**

- Request your Tax Compliance Status
- Request a unique PIN, which you can give to a 3rd party to verify your status via eFiling, or
- Request a Tax Clearance Certificate (TCC) which you can print via eFiling

**It's that easy to manage your  
Tax Compliance Status online**



# Is your Tax Compliance Status Green?

- Ensure all tax returns are submitted
- No outstanding debt owed to SARS
- SARS has been notified of any change of residential or business address
- Your business is registered for all required tax types e.g. PAYE, VAT, Income Tax
- To register for eFiling go to [www.sarsefiling.co.za](http://www.sarsefiling.co.za)

Check your  
**Tax Compliance Status**  
by logging onto your  
**eFiling profile** and  
viewing your  
**“My Compliance Profile”** and  
rectify any non-compliance.

# Managing your Tax Compliance Status with SARS

Being tax compliant and 'paying your fair share' is not just good for you, but also contributes to the positive growth of our country's economy which in turn benefits all South Africans.

In our continued effort to improve compliance and to make it even easier for taxpayers to manage their tax affairs, the South African Revenue Service (SARS) will from 18 April 2016, introduce an enhanced Tax Compliance Status System.

The new system will make it easier for taxpayers to obtain a Tax Clearance Certificate (TCC) and the enhanced system will also allow taxpayers to obtain a Tax Compliance Status (TCS) PIN which can be used by authorised third parties to verify your compliance status online via SARS eFiling.

## How to access "My Compliance Profile" (MCP) via SARS eFiling

The first step in this process is for taxpayers to determine whether or not they are compliant by accessing their "My Compliance Profile" (MCP) via SARS eFiling.

It is important to remember that a taxpayer's compliance status is not static and changes according to his/her continued compliance with tax requirements.

With this in mind, in order to be tax compliant you should make sure that:

- You do not have any outstanding tax returns
- You do not have any outstanding supporting documents requested by SARS
- You do not owe any money to SARS
- You are registered for all the tax products that you are liable for
- Your registered particulars are updated
- You have either merged (via the Merge tool on eFiling) or declared (on the ERC01 form available on eFiling), all your registered tax reference numbers.



The MCP affords taxpayers the opportunity to view their tax compliance status as determined by SARS in order to remedy any non-compliance identified. The introduction of the MCP will ultimately empower taxpayers with more information about their tax compliance and underpins the replacement of the current Tax Clearance Certificate system.

#### How to access your “My Compliance Profile” (MCP) via SARS eFiling

It is important that you regularly view your Tax Compliance Status. This can now be done simply and easily via SARS eFiling [www.sarsefiling.co.za](http://www.sarsefiling.co.za). Follow these steps to view your “My Compliance Profile” to get a view of your tax compliance status or the reasons why you may not be tax compliant and how to fix the non-compliance.

#### How to request your Tax Compliance Status (TCS) via eFiling

**STEP  
01**

##### Logon to eFiling

Logon to eFiling by using your login name and password. If you are not yet an eFiler, register at [www.sarsefiling.co.za](http://www.sarsefiling.co.za).

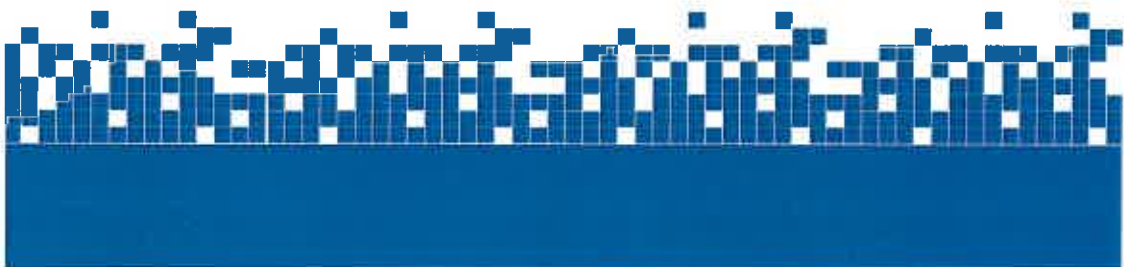
You need to be registered for eFiling and have one tax product [such as Income Tax, Value-Added Tax (VAT) or Pay-As-You-Earn (PAYE)] already activated on your taxpayer profile in order to activate the Tax Compliance Status (TCS) service.

**STEP  
02**

##### Activate the Tax Compliance Status service

Tax practitioners and eFiling administrators for organisations must ensure that the correct rights are allocated to users who need access to the tax compliance status screen. For more information on allocating these rights, please refer to the “Guide to the Tax Compliance Status Functionality on eFiling” available on the SARS website [www.sars.gov.za](http://www.sars.gov.za).

You only need to activate your Tax Compliance Status once and it will remain active. Once you have activated it and you have merged or declared all your registered tax reference numbers, you will be given access to your “My Compliance Profile” (MCP).



## STEP 03

### View your "My Compliance Profile"

Maintaining a compliant tax status is very important and you are urged to view your compliance profile regularly in order to ensure your tax status is compliant.

You can view your tax compliance profile by selecting the "My Compliance Profile" menu option. A colour-coded profile will appear to indicate whether you are tax compliant or not.

- **Red** – Your tax affairs are not in order and you are not tax compliant
- **Green** – Your tax affairs are in order and you are tax compliant.

**These colour-coded indicators are an overall summary of your tax compliance status with regard to the following compliance requirements:**

- **Registration status** – are you registered and active for the tax products that you are liable for?
- **Submission of returns** – are any returns that you are liable for outstanding after the stipulated filing due dates?
- **Debt** – do you have any tax debt with SARS that have not yet been paid?
- **Relevant Supporting Documentation** – did you fail to submit information requested from you, by SARS?

#### What do I do if "My Compliance Profile" is **RED**?

In order to address non-compliance, you can select the "Non-compliant" status indicator to see what steps need to be taken to rectify the non-compliance. Alternatively, you can rectify the non-compliance through the existing channels and processes available.

#### Challenging your tax compliance status

If you are not satisfied or do not agree with your tax compliance status, you can motivate why SARS needs to re-evaluate your tax compliance status. This can be done on eFiling by clicking on "Challenge Status" and providing a motivation as to why SARS should re-evaluate your tax compliance status.



The "My Account Enquiries" function under the Tax Compliance Status menu allows you to view account enquiries including progress on "Challenge Status" submissions.

## How to request your Tax Compliance Status via eFiling

From 18 April 2016 you can:

- Request your Tax Compliance Status online via eFiling. This will include a unique PIN which you can provide to a third party who is able to verify your tax compliance status either via eFiling or at a SARS branch
  - Request a Tax Clearance Certificate via eFiling which will give the option to print the TCC via eFiling; or
  - Request a TCC at a SARS branch where the SARS agent will be able to print or email the TCC to you

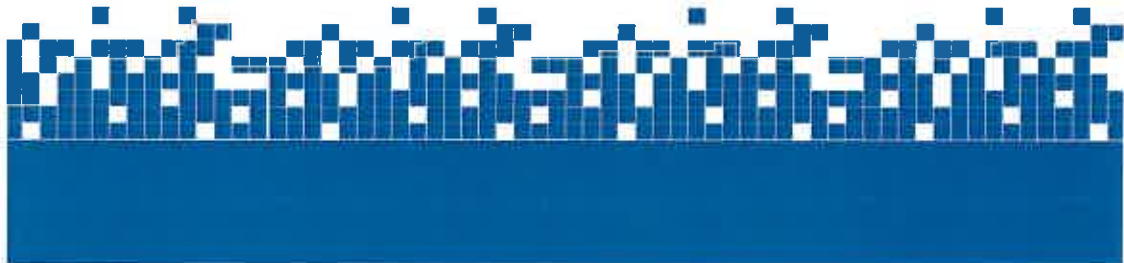
### How to request your Tax Compliance Status via eFiling

Once you have viewed your "My Compliance Profile", you may request a Tax Compliance Status by:

- Selecting the Tax Compliance Status Request option and the type of TCS for which you would like to apply. You will have the following options:
  - Good standing
  - Tender
  - FIA (individuals only)
  - Emigration (individuals only)
- Complete the Tax Compliance Status Request and submit it to SARS.

### The Tax Compliance Status PIN

Once your request is approved by SARS, you will be issued with an overall tax compliance status and a PIN. The PIN provides you with a way to authorise any third party to view your tax compliance status online via eFiling. You can request that the PIN be sent to you via SMS and you can view it on your "Tax Compliance Status Request" dashboard on your eFiling profile.





**IMPORTANT:** A unique PIN will be issued for each request that you make.

In addition to the PIN, you will also be able to print a Tax Clearance Certificate (TCC), in the existing format, via your own computer by selecting "Print TCC". The "Print TCC" function will only be available if your overall tax compliance status reflects as compliant.

Once you have provided the PIN to a third party, the PIN will enable the relevant organisation or government department to view your current tax compliance status online. It will present them with your overall compliance status as at the date and time they check it instead of your status as it was at the date that the PIN was issued to you. To protect the confidentiality of taxpayer information, no other information will be accessible.

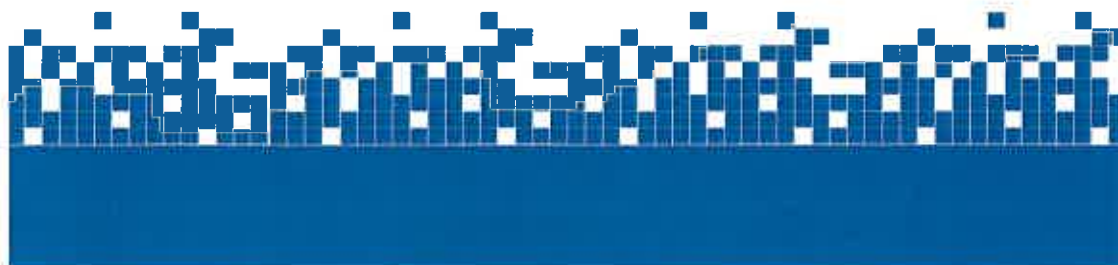
**Please note that not all government institutions and private organisations will be able to utilise the Tax Compliance Status PIN at this stage and in such instances, you must supply a printed TCC. It is envisaged that the PIN will, in time, replace the paper TCC.**

#### **Requesting a Tax Compliance Status at a SARS branch**

When you request your Tax Compliance Status at a SARS branch and if it is approved, your Tax Compliance Status will include a PIN which can be sent to you via SMS on the registered cell phone number which SARS has on record for you.

#### **How to request your Tax Clearance Certificate (TCC) at a SARS branch**

You will also be able to request your TCC at a SARS branch by completing the Tax Compliance Status Request for the specific type of TCC you require. (E.g. Tender, Good standing, FIA or Emigration). If your tax compliance status is compliant, the SARS agent will be able to print or email you your TCC to the registered email address which SARS has on record for you.



**Please note:** If your tax compliance status reflects that you are non-compliant, you will not receive a TCC until you have rectified your compliance.

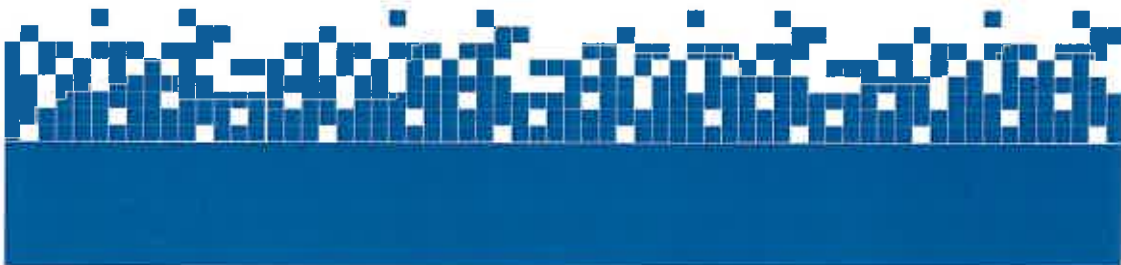
For more information on the new Tax Compliance Status process visit our website [www.sars.gov.za](http://www.sars.gov.za) or call the SARS Contact Centre on 0800 00 7277.

#### **Disclaimer**

The information contained in this leaflet is intended as guidance only and is not considered to be a legal reference, nor is it a binding ruling. The information does not take the place of legislation and readers who are in doubt regarding any aspect of the information displayed in the leaflet should refer to the relevant legislation, or seek a formal opinion from a suitably qualified individual.

For more information you may:

- Visit the SARS website [www.sars.gov.za](http://www.sars.gov.za)
- Visit your nearest SARS branch
- Contact your registered tax practitioner
- Contact the SARS Contact Centre on 0800 00 7277 if calling locally or if you are calling from abroad on +27 11 602 2093 (between 8am and 4pm South African time).



# Tax Compliance Status

## How to verify for tenders, good standing, FIA and emigration

From 18 April 2016 SARS will introduce a new Tax Compliance Status system.

As part of this enhanced system, taxpayers can now receive a Tax Compliance Status PIN instead of a Tax Clearance Certificate which can be used by third parties to verify the taxpayer's real-time compliance status.

This means that where previously a taxpayer was required to submit a paper Tax Clearance Certificate (TCC), the taxpayer can now submit a Tax Compliance Status PIN or a paper TCC.

### Why the change?

A taxpayer's compliance status is not static and changes according to compliance with tax requirements. The paper-based printed TCC process allowed taxpayers to use the printed TCC even though their tax compliance status might have changed during the twelve-month period for which it was valid.

The result of this being that the TCC may not be a true reflection of the taxpayer's tax compliance status at any point in time. The change is also necessary to combat fraud and corruption with the issuing of a paper-based compliance result.

### What to do when you need to verify a TCS

With the introduction of these changes, you may now verify a taxpayer's compliance status via the SARS Contact Centre on 0800 00 7277 and online via SARS eFiling.



## How to verify a TCS via SARS eFiling

### STEP 01 Logon to eFiling

To use the Tax Compliance Status Verification service online, you must be authorised to use eFiling. Logon to the profile using the organisation's login name and password.

### STEP 02 Activate the Tax Compliance Verification system

Activation of the Tax Compliance Verification system is a once-off process.

- Once you have logged in, setup your user groups in order to perform TCS verifications
- Click on "Tax Status"
- Select "Tax Compliance Status Verification"
- Complete the activation process.

### STEP 03 View the taxpayer's Tax Compliance Status

Request to view the taxpayer's tax compliance status by clicking "Tax Compliance Status Verification". Capture and submit the taxpayer's tax reference number and PIN. Confirm that the taxpayer information displayed corresponds with those of the taxpayer who you intend to verify.

The taxpayer's tax compliance status will appear and will be colour-coded with a detailed description of what the status means.

#### ***What do these colour codes indicate?***

The colour coding indicates if the taxpayer's tax affairs are in order or not:

- Red – Tax affairs are not in order and the taxpayer is not tax compliant
- Green – Tax affairs are in order and the taxpayer is tax compliant.





## What to do with the taxpayers' Tax Compliance Status

You will now be able to print the verification for recording purposes. Your verification will also be stored electronically in "History" for future reference.

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# CHECKLIST

## VALUE-ADDED TAX (VAT) INVOICES

### FULL TAX INVOICE

(this is required where the supply (including VAT) exceeds R5000)

CRITERIA THAT THE INVOICE MUST MEET	Y/N
Contains the words "Tax Invoice", "VAT Invoice" or "Invoice"	
Name, address and VAT registration number of the supplier	
Name, address and where the recipient is a vendor, the recipient's VAT registration number	
Serial number and date of issue of invoice	
Accurate description of goods and /or services (indicating where applicable that the goods are second hand goods)	
Quantity or volume of goods or services supplied	
Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)	

*Note: all seven criteria must be met for the invoice to meet the requirements of a Tax Invoice*

### ABRIDGED TAX INVOICE

(where the supply (including VAT) is greater than R50 and less than R5000)

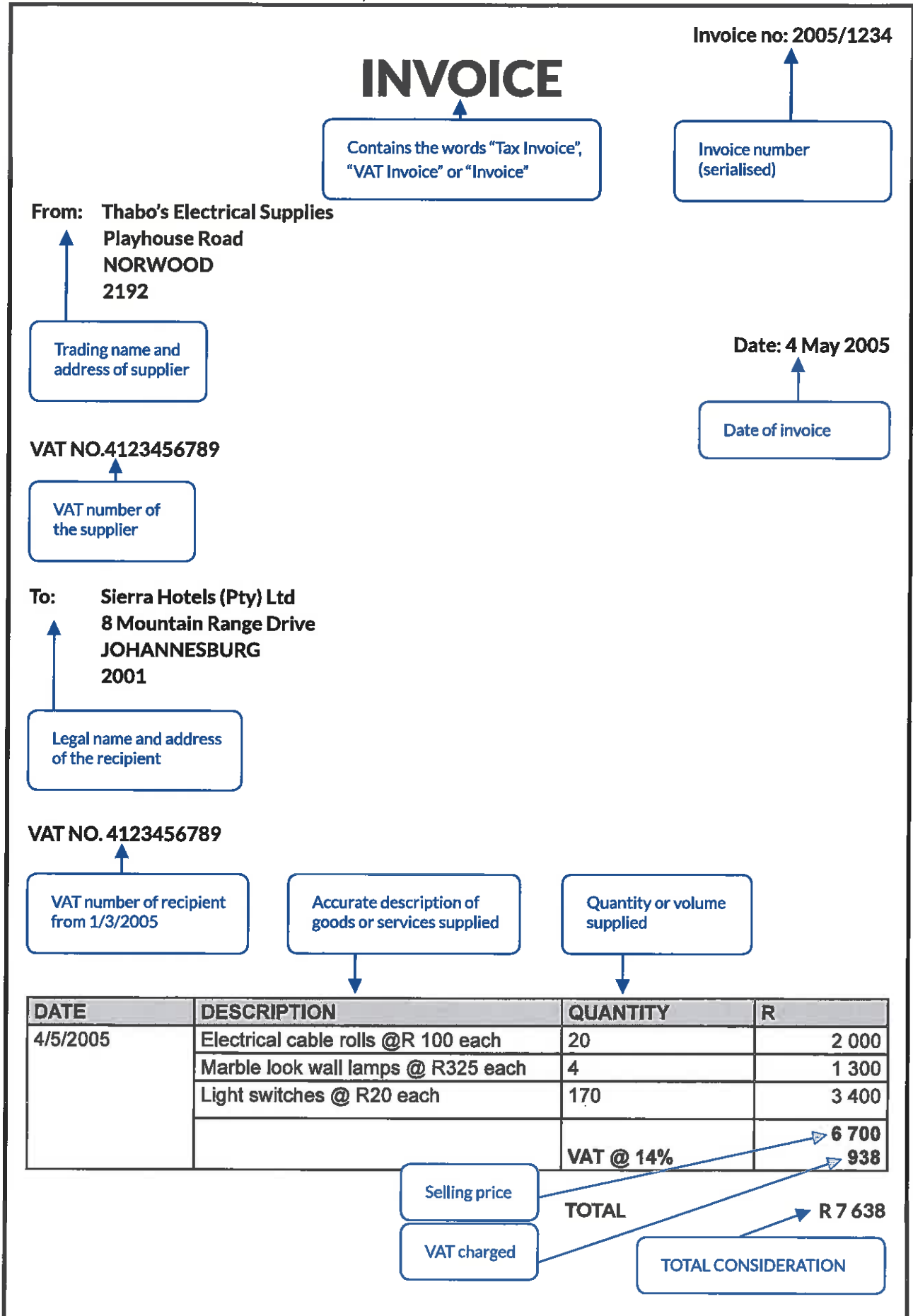
CRITERIA THAT THE INVOICE MUST MEET	Y/N
Contains the words "Tax Invoice", "VAT Invoice" or "Invoice"	
Name, address and VAT registration number of the supplier	
Serial number and date of issue of invoice	
Accurate description of goods and /or services	
Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)	

*Note: all five criteria must be met for the invoice to meet the requirements of an abridged Tax Invoice*

# EXAMPLES OF VALID INVOICES

## EXAMPLE 1:

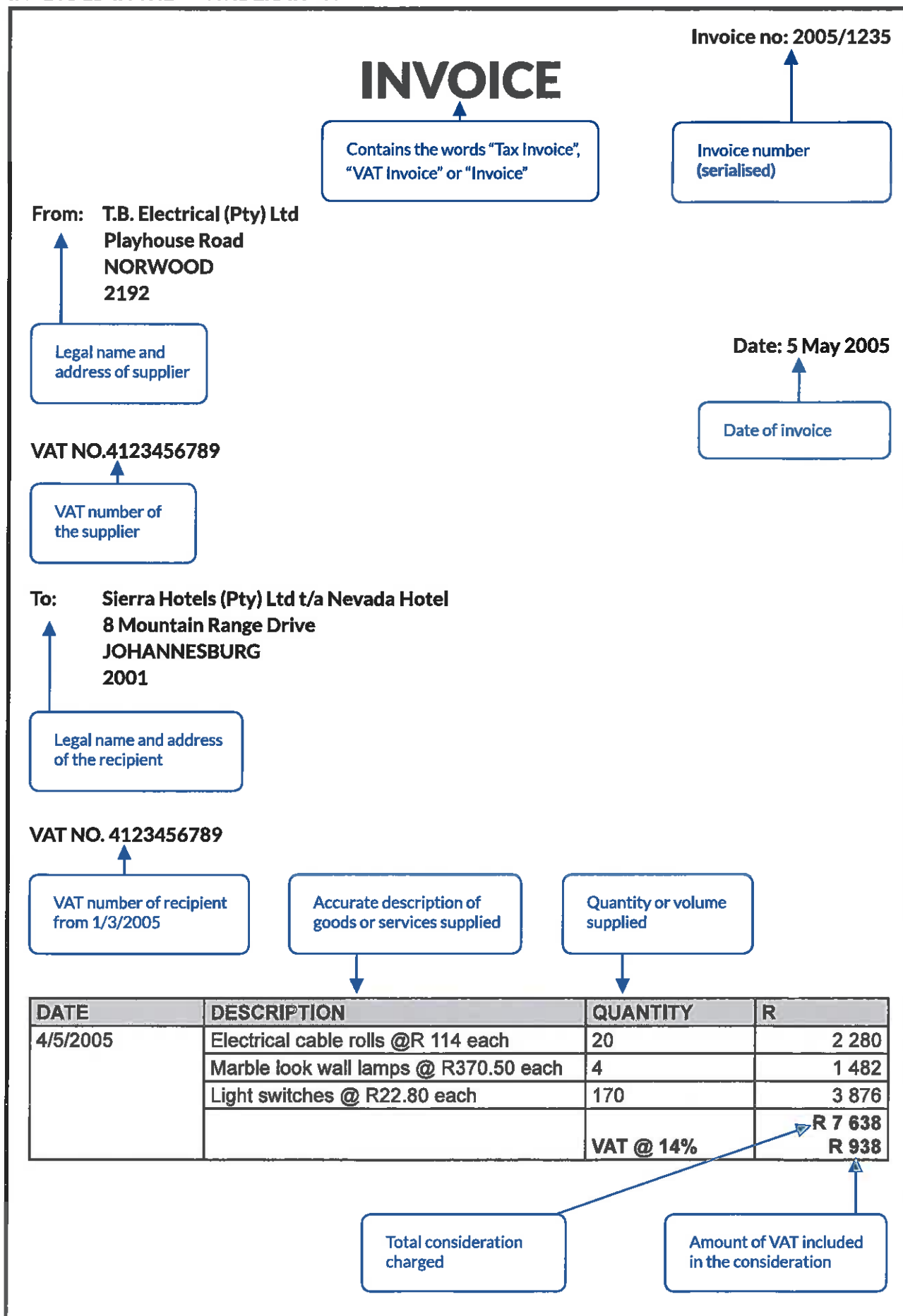
FULL INVOICE REFLECTING THE PRICE, VAT AND TOTAL CONSIDERATION CHARGED



## EXAMPLES OF VALID INVOICES

### EXAMPLE 2:

FULL INVOICE REFLECTING THE TOTAL CONSIDERATION CHARGED AND THE AMOUNT OF VAT INCLUDED IN THE CONSIDERATION





## EXAMPLES OF VALID INVOICES

### EXAMPLE 3:

FULL INVOICE REFLECTING THE TOTAL CONSIDERATION CHARGED, A STATEMENT THAT THE CONSIDERATION INCLUDES VAT, AND THE RATE OF VAT CHARGED

Invoice no: 2005/1236

# INVOICE

**From:** T.B. Electrical (Pty) Ltd  
Playhouse Road  
NORWOOD  
2192

**VAT NO.** 4123456789

**To:** Sierra Hotels (Pty) Ltd t/a Nevada Hotel  
8 Mountain Range Drive  
JOHANNESBURG  
2001

**VAT NO.** 4123456789

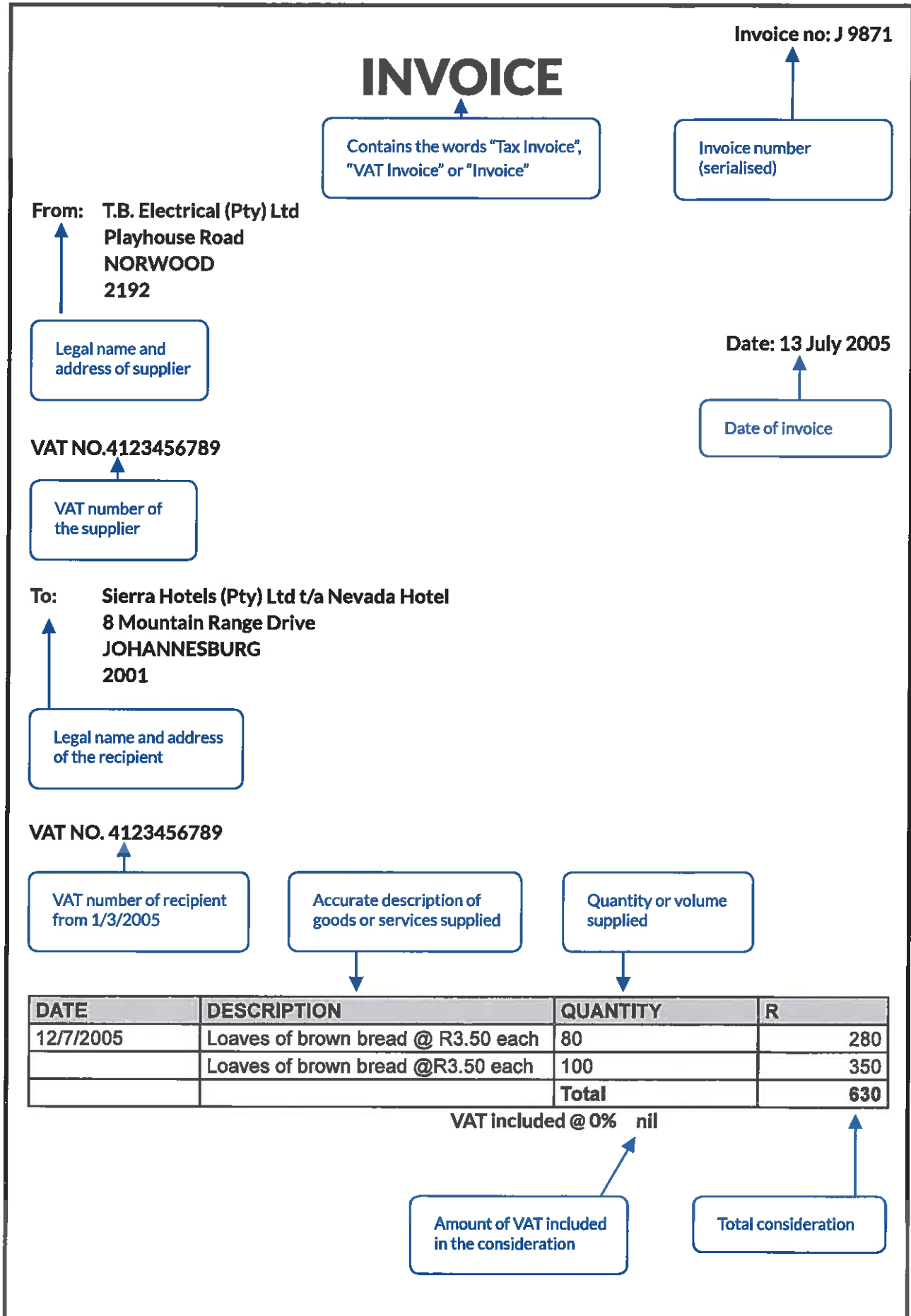
Date: 6 May 2005

DATE	DESCRIPTION	QUANTITY	R
4/5/2005	Electrical cable rolls @R 114 each	20	2 280
	Marble look wall lamps @ R370.50 each	4	1 482
	Light switches @ R22.80 each	170	3 876
			<b>R 7 638</b>

Purchase price includes VAT @14%

# EXAMPLES OF VALID INVOICES

## EXAMPLE 4: FULL INVOICE FOR ZERO-RATED SUPPLIES



**EXAMPLE 5:  
FULL INVOICE FOR MIXED SUPPLIES**

# INVOICE

Contains the words "Tax Invoice",  
"VAT Invoice" or "Invoice"

Invoice no: J 9871

Invoice number  
(serialised)

Sipho's Tour Operators  
CK no 99/52389/23  
VAT No: 1234567890  
57 Bush Heights  
BUSHLANDS  
1234

Trading name and  
address of supplier

From: Billy's Bakery  
123 Gingerbread Road  
NORWOOD  
2192

Trading name & address  
of the recipient

VAT NO. 4123456789

VAT number of recipient  
from 1/3/2005

Date: 13 July 2005

Date of tax invoice

Accurate description of  
goods or services supplied

Date	QTY	DESCRIPTION	VAT STATUS	R
30/11/2005	2	Airport shuttle @ R150 per trip	Exempt	300
	1	Night game viewing drive	Exempt	250
	2	Tour guide fee @ R500	14%	1 000
	4 Nights	Accommodation B & B @ R2 500	14%	10 000
	5	Paintings	14%	5 000
	50 Litres	Diesel – guest's private 4x4 vehicle	0%	200
		VAT @14% on R 16 000		2 240*
		<b>TOTAL</b>		<b>R 18 990</b>

Amount of VAT included  
in the consideration

Total consideration