

Tax Clearance Certificates and VAT in the tender process

By Werner van Rooyen, Director of HowToTender (Pty) Ltd which specializes in tender consulting and tender training.

The *Preferential Procurement Policy Framework Act* dictates that Organs of State enforce certain minimum requirements when awarding tenders, to verify that an enterprise is legally operating and is tax compliant. One of these are a tax clearance certificate. Your business must be registered with SARS for Income Tax purposes if you want to tender.

To be registered for VAT, however, is not compulsory. You will find that once you start selling your product or service, your customers are going to ask you for a Tax Invoice. This is where the fun starts. If you are registered for Value Added Tax or VAT in short, there would be no problem to supply your customers with a tax invoice, but if you are not registered for VAT this is where it becomes tricky.

The South African public and business folk are so brain washed on a Tax Invoice that hardly anyone knows what a Tax Invoice is. All they know is that their Auditors demand a Tax Invoice and if they cannot supply a Tax Invoice to the Auditors they are in trouble. A Tax Invoice can only be issued by a business or vendor that is registered for VAT.

There are several instances where a business or vendor can register for VAT, but the number one requirement is if the turnover of the business exceeds R1 million per year.

To learn more about this and many other tender conditions attend our “Become a Tender Expert” 2-Day workshops presented in Johannesburg, Pretoria, Durban, Port Elizabeth, and Cape Town. Book and pay online at <https://howtotender.co.za/tender-expert-form/>

Contact us at estelle@howtotender.co.za should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.