

**PROVINSIALE TESOURIE • PROVINCIAL TREASURY •
UNONDYEBU WEPHONDO**



Verwysing
Reference
Isalathiso

T 12/2/2

Navrae
Enquiries
Imibuzo

Mr E Johannes

TREASURY CIRCULAR MUN: 19 OF 2009

THE MAYOR, CITY OF CAPE TOWN: MR D PLATO
THE MAYOR, WEST COAST DISTRICT: MRS H KITSHOFF
THE MAYOR, MATZIKAMA MUNICIPALITY: MR P BOK
THE MAYOR, CEDERBERG MUNICIPALITY: MS S NEWMAN
THE MAYOR, BERGRIVIER MUNICIPALITY: MR S CLAASSEN
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR J SKEI
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT: MR B CHABAAN
THE MAYOR, WITZENBERG MUNICIPALITY: MR K CLASSEN
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS C MANUEL
THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN PM SWARTZ
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR C NTSOMI
THE MAYOR, BREEDE RIVER/WINELANDS MUNICIPALITY: MR SJ NGONYAMA
THE MAYOR, OVERBERG DISTRICT: MS M GILLION
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR C PUNT
THE MAYOR, OVERSTRAND MUNICIPALITY: MR T BEYLEVELDT
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL
THE MAYOR, SWELLENDAM MUNICIPALITY: MR J JANSEN
THE MAYOR, EDEN DISTRICT: MR L DORFLING
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE
THE MAYOR, MOSSEL BAY MUNICIPALITY: ALDERMAN M FERREIRA
THE MAYOR, GEORGE MUNICIPALITY: MR PH DE SWART
THE MAYOR, OUDTSHOORN MUNICIPALITY: MS D DE JAGER
THE MAYOR, BITOU MUNICIPALITY: MR LL MVIMBI
THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES
THE MAYOR, CENTRAL KAROO DISTRICT: MR T PRINCE
THE MAYOR, LAINGSBURG MUNICIPALITY: MS R MEYER
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M BENJAMIN
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MS J JONAS

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM
THE MUNICIPAL MANAGER, WEST COAST DISTRICT: MR H PRINS
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATHYSE
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MS C LeROUX
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR J FORTUIN
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT: MR M MGAJO
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR S KABANYANE
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MR I KENNED
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, BREEDE RIVER/WINELANDS: MR SA MOKWENI
THE MUNICIPAL MANAGER, OVERBERG DISTRICT: MR GW HERMANUS (Acting)
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HSD WALLACE
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: ADV W ZYBRANDT
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR R STEVENS
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR N NEL (Acting)
THE MUNICIPAL MANAGER, EDEN DISTRICT: MR G LOUW
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR K DE LANGE
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR CM AFRICA
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR T GUTHAS (Acting)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR L NGOQO
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J DOUGLAS
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT: MR S JOOSTE
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR D ROSSOUW (Acting)
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

PRIVAATSAK X9165
KAAPSTAD 8000
Telefoon (021) 483-4229
Faks (021) 483-7356

PRIVATE BAG X9165
CAPE TOWN 8000
Telephone (021) 483-4229
Fax (021) 483-7356

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR M RICHARDSON
 THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT: MR J KOEKEMOER
 THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR LJ BRUWER
 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR F LÖTTER
 THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR K VAN NIEKERK
 THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR J LUUS
 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT: MR JG MARAIS
 THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR R ESAU
 THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR CM PETERSEN
 THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M BOLTON
 THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR D MCTHOMAS
 THE CHIEF FINANCIAL OFFICER, BREEDE RIVER/WINELANDS: MR CF HOFFMANN
 THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT: MR O MACKENZIE
 THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR S JACOBS
 THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG
 THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H SCHLEBUSH
 THE CHIEF FINANCIAL OFFICER, SWELLENDAAM MUNICIPALITY: MR NB DELO
 THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT: MR J STANDER (Acting)
 THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR B LALOR
 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS L VILJOEN
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR LH FOURIE
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR T MATTHYSEN (Acting)
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT: MR CJ KYMDELL
 THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR JJ VAN DER WESTHUIZEN
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)
 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
 THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
 THE HEAD: FINANCIAL GOVERNANCE (MR TC ARENDSE)
 THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
 THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)
 THE CHIEF FINANCIAL OFFICER (MR A GILDENHUIS)
 THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS PG PIEDT)
 THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR A REDDY)
 THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS N OLIPHANT)
 THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
 THE SENIOR MANAGER: INTERNAL AUDIT: G & A CLUSTER (MS B CAIRNCROSS)
 THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER
 THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)
 THE SENIOR MANAGER: BUDGET MANAGEMENT – LOCAL GOVERNMENT (MR A PHILLIPS) (PRO TEM)
 THE SENIOR MANAGER: BUDGET MANAGEMENT – PROVINCIAL GOVERNMENT (MR PP PIENAAR) (ACTING)
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR G PAULSE)
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
 THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)
 THE SENIOR MANAGER: IMMOVABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
 THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
 THE HEAD: OFFICE OF THE MINISTRY (MS J DAVIDS)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT AND HOUSING

INVITATION: PROPOSAL TO TRAIN MUNICIPALITIES ON THE USAGE OF VAT 419 GUIDE FOR MUNICIPALITIES

1. Purpose

- 1.1** The purpose of this circular is to inform municipalities that National Treasury together with the South African Revenue Service (SARS) will host a workshop on the VAT treatment of Grants and related matters on Wednesday, 9 September 2009.

2. Background

2.1 Since the inception of VAT in 1991, municipalities (previously known as "local authorities") were required to register as VAT vendors, and special rules were applicable in respect of supplies made by municipalities. The main difficulty being that municipal property rates were exempted from VAT and a profitability or breakeven test was applied in respect of certain activities to determine whether the supplies concerned were taxable or not. These rules proved to be somewhat complicated and resulted in municipalities having to face significant apportionment difficulties and administrative problems. Due to these challenges and uncertainties, numerous requests for rulings from tax consultants and municipalities were submitted to SARS to clarify the law.

2.2 Various amendments were therefore introduced in the Small Business Tax Amnesty and Amendment of Taxation Laws Act and the amendments included amongst others that the:

- o VAT law no longer referred to a "local authority", but rather to a "municipality".
- o Tax treatment of municipal property rates was changed from exempt to zero-rated.
- o Receipt of certain payments from government that are made under the annual Division of Revenue Act is subject to the zero rate of VAT with effect from 1 April 2005.

The above-mentioned changes to existing legislation came into effect from 1 July 2006.

2.3 The SARS issued the Value-Added Tax Guide - **VAT 419 – Guide for Municipalities** dated 31 October 2008, that relates to the application of the value-added tax (VAT) law in respect of municipalities.

2.4 The main purpose of this guide is therefore to provide guidance and clarity on the VAT treatment of supplies made by municipalities from 1 July 2006.

3. Workshop details

- 3.1 The purpose of the workshop, which will be facilitated by representatives of SARS and the National Treasury, is to enhance municipal (financial) capacity through clarification, enhancing understanding, and expanding technical comprehension of Value Added Tax (VAT) issues as they relate to municipalities.
- 3.2 The treatment of VAT on government grants is focal point of this workshop. In addition the workshop will also address exempt and zero-rated supplies and agency agreements.
- 3.3 The workshop will be interactive, and participants are expected to pre-read the VAT 419 guide and raise queries and issues for clarification, preferably beforehand, to ensure that the workshop provides a learning experience and builds capacity.

4. Request

- 4.1 In order to obtain maximum benefits from this engagement and to share best practices amongst each other, it is deemed appropriate to extend an invitation to all Chief Financial Officers to attend the meeting.
- 4.2 The venue takes limited numbers. Municipalities are therefore limited to two (2) representatives (senior finance officers and budget controllers) per municipality. It is important that you confirm attendance, as catering is done for specific numbers, including the availability of workshop material.
- 4.3 The details to the workshop are as follow:

Date: 09 September 2009

Venue: AUDITORIUM, 07TH FLOOR
04 DORP STREET
CAPE TOWN
8001

Time: 09h30 – 16h00

- 4.4 To avoid disappointment kindly ensure you that you complete and return the attached registration form via email or fax to the numbers listed below not later than Friday, 21 August 2009.

Fax no: (021) 483-7356 or (021) 483-4411

E-mail: MFMA@pgwc.gov.za

- 4.5 For any queries regarding the above please contact the relevant official:

- Mr Daysman Magida
Tel No: (021) 483-6660
E-mail: dmagida@pgwc.gov.za


5. Conclusion

- 5.1 The attendance of representatives from all municipalities is of utmost importance, as we would like to ensure the successful implementation of the VAT Guide. We plan to provide enough time for questions and discussion.

5.2 ***Compulsory pre-reading for all participants:***

- o VAT 419 – Guide for Municipalities (76 pages)
- o Studios reading of Chapter 7

- 5.3 Your co-operation in this regard will be appreciated.



GW PAULSE
SENIOR MANAGER: LOCAL GOVERNMENT FINANCE

DATE: 06 August 2009