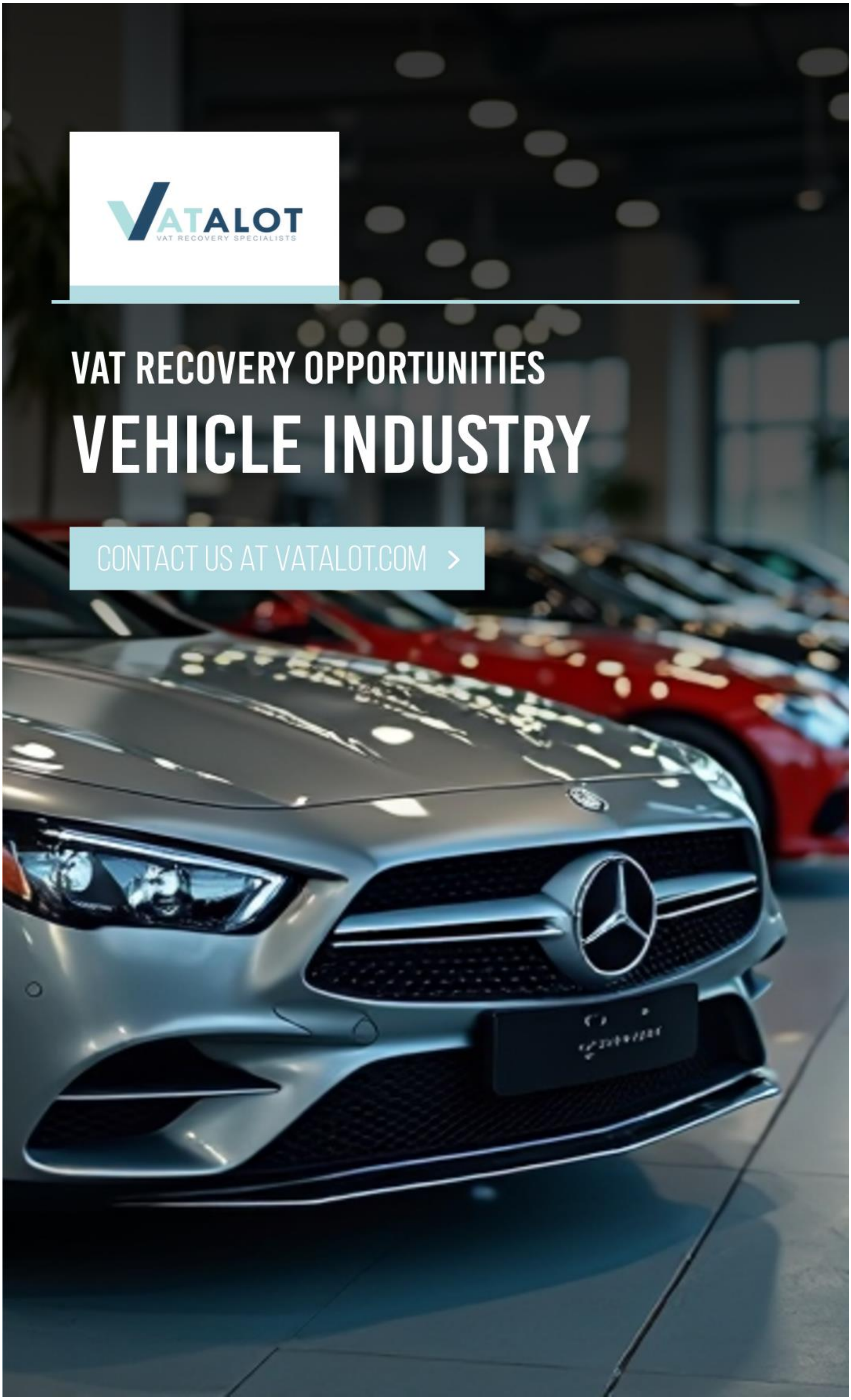
VATALOT
VAT RECOVERY SPECIALISTS

VAT RECOVERY OPPORTUNITIES
VEHICLE INDUSTRY

CONTACT US AT VATALOT.COM >



A VAT (Value-Added Tax) analysis in the vehicle industry can provide several benefits, particularly in areas such as compliance, cost savings, cash flow management, and strategic decision-making. Here's how:

1. Ensuring Compliance & Risk Mitigation

- The vehicle industry involves various VAT complexities, such as VAT on imports, second-hand goods, financing arrangements, and rebates.
- A VAT analysis helps identify any non-compliance risks and ensures adherence to SARS (South African Revenue Service) regulations, reducing the risk of audits and penalties.

2. Optimizing VAT Recovery

- Businesses in the vehicle industry often deal with input VAT deductions on expenses such as stock purchases, maintenance, fuel, and repairs.
- An in-depth VAT review ensures that all allowable input VAT is claimed while avoiding disallowed claims, improving cash flow.

3. Managing Output VAT on Sales & Trade-ins

- New and used car sales, leases, and trade-ins all have different VAT implications.
- A VAT analysis ensures correct VAT treatment, such as:
    - Charging VAT on the full selling price.

    - **Accounting for VAT correctly on trade-ins (e.g., second-hand goods VAT rule).**
    - **Identifying VAT implications for exported vehicles or zero-rated sales.**

4. Improving Cash Flow & Pricing Strategies

- **Understanding VAT obligations helps businesses structure their pricing effectively.**
- **Dealers can plan for VAT liabilities in advance and structure transactions (e.g., installment sales vs. rentals) to improve cash flow.**

5. Handling VAT on Special Schemes (Motor Dealers & Rental Companies)

- **The vehicle industry may benefit from VAT schemes such as the notional input VAT claim on second-hand cars.**
- **Rental companies may need to account for VAT differently compared to traditional vehicle sales.**

6. Enhancing Record-Keeping & System Efficiency

- **A VAT analysis can identify system weaknesses and recommend better invoicing and record-keeping practices to support compliance.**
- **This is critical for avoiding disputes with SARS and ensuring smooth VAT audits.**

Overpayment of VAT Vehicle Sales

1. **Trade-in Vehicles:**
   - Dealers sometimes incorrectly apply VAT when taking in trade-ins, leading to an overpayment if VAT is accounted for on the full selling price rather than only on the margin (for second-hand goods).
2. **Dealer Incentives & Rebates:**
   - VAT is often incorrectly accounted for on incentives received from manufacturers or suppliers. Some dealerships fail to claim input VAT on these incentives, resulting in an overpayment.
3. **Bad Debt Relief Not Claimed:**
   - If a customer defaults on payments for a financed vehicle and the dealer does not adjust the VAT originally paid on the sale, they might miss out on bad debt relief.
4. **Demonstration Vehicles & Company Cars:**
   - Some dealers incorrectly treat demo vehicles and company cars, paying VAT when transferring them to their own use without later claiming input VAT when they are sold.
5. **Incorrect VAT on Exports:**
   - Sales to foreign buyers (e.g., neighboring countries) might be incorrectly taxed if zero-rating is not properly documented, leading to unnecessary VAT payment.

Underclaiming VAT

1. **Input VAT on Expenses:**
   - Some companies fail to claim VAT on allowable expenses such as advertising, repairs, insurance, and staff costs related to business activities.
2. **Fuel and Maintenance Costs on Company Vehicles:**
   - VAT on fuel and maintenance costs for company vehicles is sometimes overlooked when claiming input VAT.
3. **Input VAT on Vehicle Purchases (if applicable):**

- If a dealership purchases vehicles for resale but mistakenly fails to claim input VAT, this results in an underclaim.

4. **VAT on Auction and Repossessed Vehicle Sales:**
    - Some dealerships do not correctly claim input VAT on repossessed vehicles they purchase from financial institutions.
5. **Incorrectly Calculated Adjustments on Lease Vehicles:**
    - Dealers involved in leasing arrangements sometimes fail to claim input VAT correctly on lease vehicles they sell after use.

Vehicle service companies in South Africa can often **overpay or underclaim VAT** due to errors in input VAT deductions, incorrect application of VAT on sales, or misunderstanding of VAT exemptions. Here are some key areas where they may be losing out:

Areas of VAT Overpayment (Underclaimed Input VAT)

1. **Fuel Purchases**
    - Businesses may forget to claim VAT on fuel expenses where applicable.
    - Only **diesel refunds** are allowed in certain industries, and businesses may mistakenly exclude all fuel VAT.

2. **Parts & Consumables**
    - If parts are purchased separately from a supplier, VAT should be claimed. Some companies fail to do this properly.
    - Input VAT might be underclaimed when invoices are not correctly accounted for.
3. **Subcontracted Repairs**
    - If third-party repairs are outsourced, VAT must be properly recorded. Some businesses miss out on claiming this VAT.
4. **Capital Expenditure (Tools & Equipment)**
    - Large capital purchases (e.g., lifts, diagnostic machines) qualify for input VAT deductions, but companies may forget to claim them fully.
5. **Bad Debt Write-offs**
    - VAT can be recovered on bad debts older than 12 months, but many businesses fail to claim this.

Areas of VAT Underpayment (Overclaimed Input VAT / Underpaid Output VAT)

1. **Customer Payments Before Invoicing**
    - If deposits are received before issuing a tax invoice, VAT should be declared at that point, but some companies delay this.
2. **Zero-Rated & Exempt Transactions**
    - If exports or foreign customer services are incorrectly treated as standard-rated, VAT might be overpaid.
    - Some companies mistakenly apply VAT to exempt transactions (e.g., insurance payouts).
3. **Discounts & Rebates**
    - If a supplier issues a discount or credit note, input VAT must be adjusted. Companies often forget to reduce their VAT claims accordingly.
4. **Vehicle Sales & Trade-Ins**
    - If VAT is not correctly accounted for on trade-in vehicles or second-hand sales, companies may underpay VAT.
5. **Employee Use of Company Vehicles**
    - If company vehicles are used privately, there may be a deemed supply for VAT purposes that is often overlooked.

Property management companies(owner properties) in South Africa often underclaim or overpay VAT in the following areas:

1. Underclaiming VAT (Not Claiming Enough Input VAT)

- **Municipal Charges**: Property managers sometimes fail to claim VAT on municipal invoices (water, electricity, refuse removal) due to unclear tax invoices or confusion over whether VAT applies.
- **Agent Commission & Professional Fees**: When paying letting agents or other professionals, some companies forget to claim VAT if the invoice isn't properly reviewed.

- **Repairs & Maintenance Costs**: Contractors may charge VAT, but if invoices are lost or incomplete, the input VAT isn't claimed.
- **Mixed-Use Properties**: If a building has VAT-exempt residential units and VATable commercial units, companies may incorrectly allocate input VAT and underclaim on the commercial portion.
- **Bad Debts**: VAT can be reclaimed on irrecoverable debts (after 12 months), but many companies overlook this.

2. Overpaying VAT (Overclaiming or Overpaying Output VAT)

- **Residential Leases**: Residential rentals are VAT-exempt, but some companies mistakenly charge VAT on them, leading to unnecessary payments to SARS.
- **Incorrect Apportionment**: Mixed-use buildings require VAT apportionment, and some companies overclaim input VAT without properly applying the formula (e.g., using the standard method instead of an industry-specific method).
- **Security & Cleaning Services**: These services generally include VAT, but if paid on behalf of a landlord without a recharge, VAT might be incorrectly overpaid.
- **Incorrect Zero-Rating**: Some property management companies incorrectly apply zero-rating for VAT on international tenants or non-resident landlords when the correct rules aren't followed.
- **Double VAT Payments**: When processing supplier invoices, VAT might be accounted for twice—once when received and again when making the payment.

Incorrect VAT posting often results from errors in the accounting system setup. Some common incorrect setups that can lead to VAT posting errors include:

1. Incorrect Tax Codes Configuration

- Using the wrong VAT codes for different transactions (e.g., zero-rated vs. standard-rated).
- Missing or incorrectly configured VAT-exempt or reverse charge codes.

2. Incorrect Chart of Accounts Mapping

- VAT accounts (input/output) not correctly linked to tax codes.
- VAT being posted to expense or revenue accounts instead of dedicated VAT control accounts.

3. Wrong Tax Type Assignments to Customers/Vendors

- Customers incorrectly set up as VAT-exempt when they should be standard-rated.

- Foreign vendors treated as local, leading to incorrect VAT treatment on imports.

4. Failure to Differentiate Between VAT-Inclusive and VAT-Exclusive Transactions

- System treating VAT-inclusive amounts as VAT-exclusive, leading to incorrect VAT calculations.
- Applying VAT on transactions where VAT was already included in the price.

5. Incorrect Default VAT Setup in System Preferences

- System defaulting to the wrong VAT rate or tax jurisdiction.
- Default VAT settings overriding transaction-specific VAT selections.

6. Failure to Account for Reverse Charge VAT on Imports

- Missing reverse charge VAT setup for foreign supplier invoices.
- Incorrectly reclaiming input VAT on reverse charge transactions.

7. Posting VAT to the Wrong Period

- Backdating transactions into a closed VAT period.
- Forward-dating transactions causing incorrect VAT reporting.

8. Multi-Currency VAT Misconfigurations

- VAT incorrectly calculated due to exchange rate differences.

- VAT applied to the foreign currency amount instead of converted local currency amount.

9. Incorrect VAT Treatment of Special Transactions

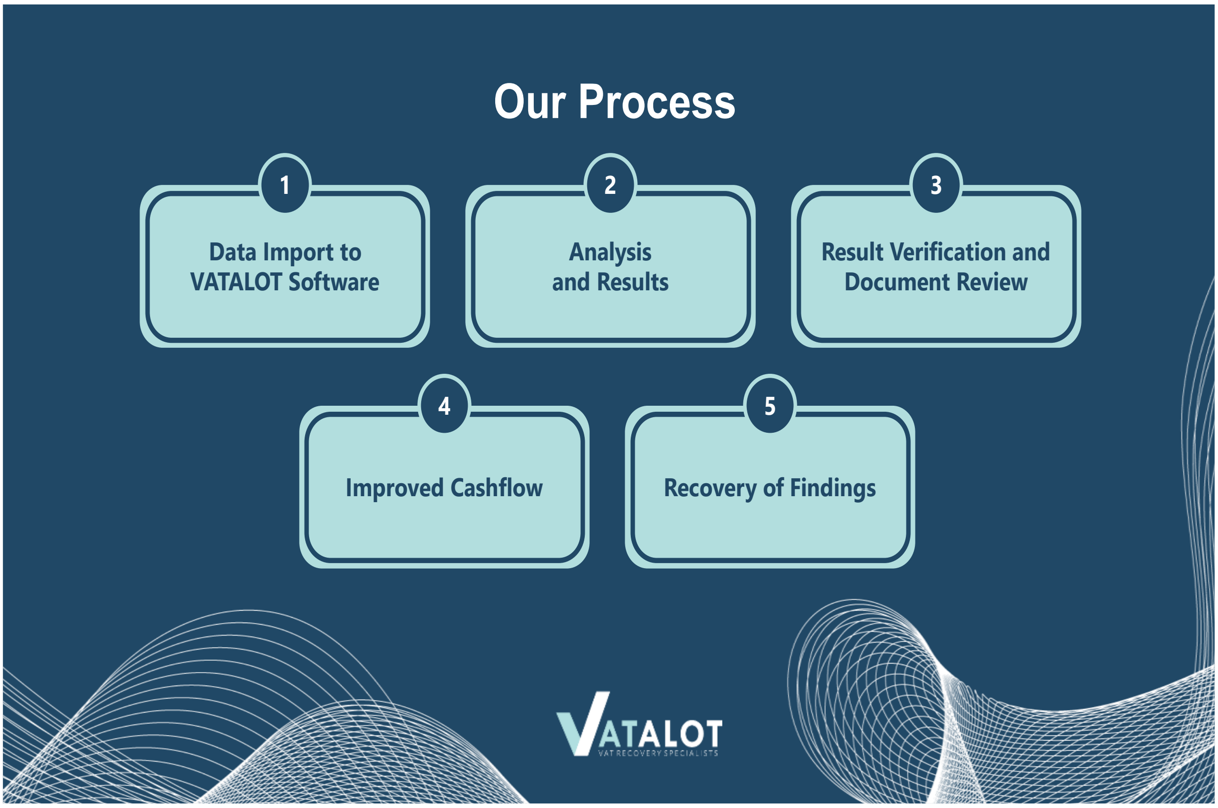
- Adjustments, discounts, and credit notes not properly reflecting VAT implications.
- VAT incorrectly applied on non-taxable items such as salaries or loan repayments.

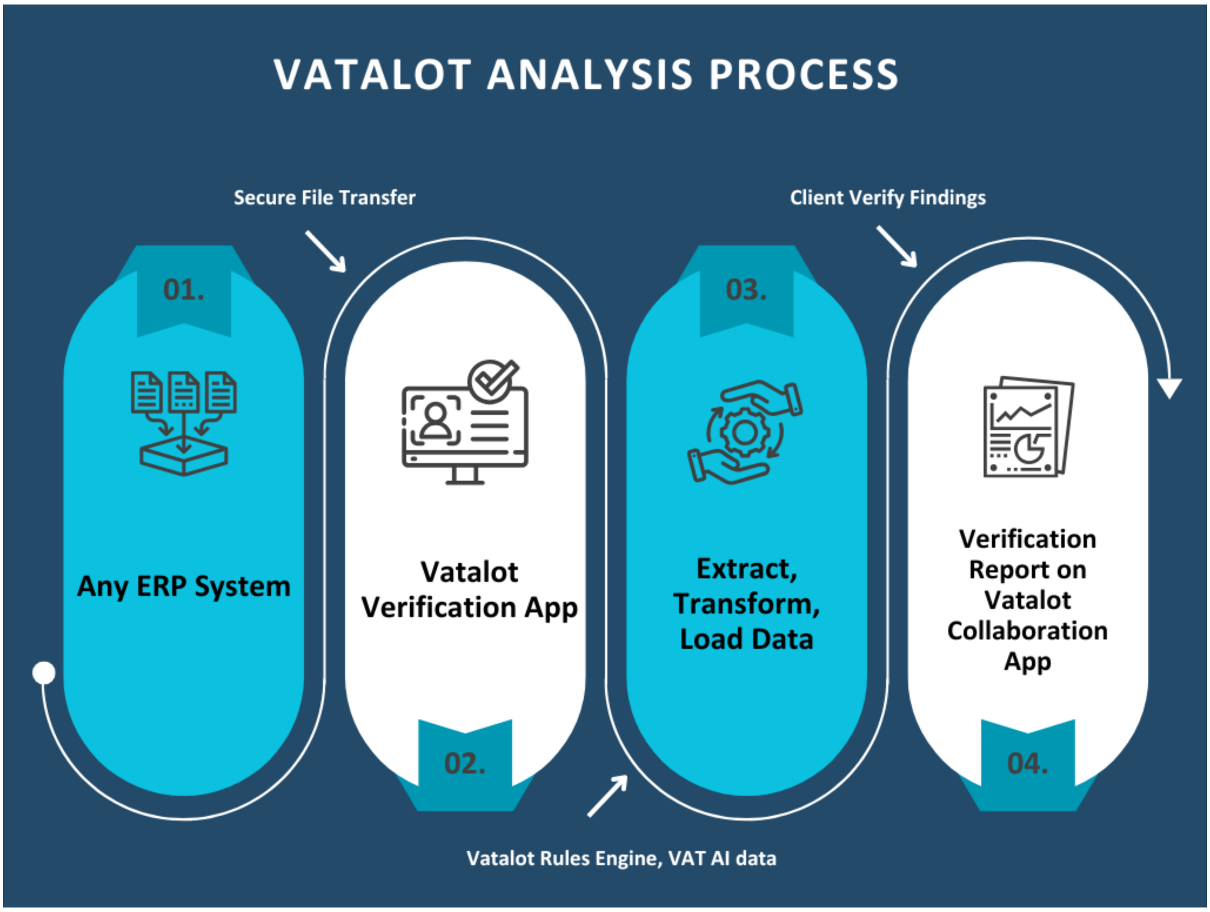
VAT TECHNOLOGY

Specialists

What We Do

Vatalot is a financial technology software company – Specialising in identifying unclaimed Input VAT.


Our Process
1
Data Import to VATALOT Software
2
Analysis and Results
3
Result Verification and Document Review
4
Improved Cashflow
5
Recovery of Findings
VATALOT


VATALOT ANALYSIS PROCESS
Secure File Transfer
Client Verify Findings
01.
Any ERP System
Vatalot Verification App
02.
03.
Extract, Transform, Load Data
Verification Report on Vatalot Collaboration App
04.
Vatalot Rules Engine, VAT AI data

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The Cause

- Accounting System Settings
- Accidental Input Errors
- Automated Transaction Capturing
- Automated Bank Imports
- Lack of Knowledge around VAT
- Changes to VAT rules

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The Effects

- Inaccurate / Inflated VAT Submissions
- Inflated Payments to SARS
- Lost Profits
- Inflated Cost of Sales
- Incorrect Profit Projections
- Reduced Cashflow

THE VATALOT

Solution

01 Review of Transaction History (5 Yrs)

04 Deduction of Input VAT Errors

02 Verification of our Findings

05 Detailed Reports for Client

03 Correction of Input VAT Errors

06 Correction of System Settings

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VAT TECHNOLOGY

Benefits

- Recover Lost Profits
- Prevent future losses
- Improve Cash Flow
- Correct Accounting/ ERP System Settings
- Improve Understanding of VAT Rules
- Immediate Benefit
- Ensure Input VAT Compliance

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THE VATALOT

Workflow

Collection of Accounting Data. → Automated Analysis of History. → Verification of Findings. → Loss Correction and Recovery. → Increased Cash Flow.

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Pricing

NO

Upfront Fees

50%

of Verified and Agreed Findings