

Ref: #775404

Submission File

9 February 2024

South African Revenue Service  
Private Bag X923  
Pretoria  
0001

BY E-MAIL: [policycomments@sars.gov.za](mailto:policycomments@sars.gov.za)

Dear SARS

**COMMENTS ON THE DRAFT GUIDE ON THE SOLAR ENERGY TAX CREDIT PROVIDED UNDER SECTION 6C**

1. The South African Institute of Chartered Accountants ("SAICA") welcomes the opportunity to make a submission to the South African Revenue Service ("SARS") on the draft guide on the solar energy tax credit provided under section 6C ("the draft guide").
2. We set out below our specific comments in this regard.

**COMMENTS**

**VAT**

3. The draft guide does not mention whether the cost incurred by a natural person to acquire the solar PV panels should be inclusive or exclusive of VAT.
4. According to section 23C of the Income Tax Act, for purposes of applying the provisions of the Act, a taxpayer who is a VAT vendor and entitled to claim input VAT on a particular purchase must exclude this VAT from the cost incurred on such purchase.

5. Submission: Due to the fact that there are circumstances in which a natural person may qualify to be a VAT vendor, the guide should clarify that, for purposes of calculating the section 6C tax credit, such vendors must exclude VAT from the cost incurred on the solar panels.
6. The guide should further note that assuming all other requirements are met for purposes claiming input VAT, the VAT portion excluded for s6C purposes may be claimed in the taxpayer's VAT return.
7. However, it should also be noted in the guide that it is unlikely that the full input VAT may be claimed since the solar panels are only partially used in the course of making taxable supplies.

8. They are also partially used for private/domestic purposes, which may necessitate an apportionment of the input VAT deduction.

### Page 3 – paragraph (a) – “new and unused”

9. The draft guide states the following regarding the meaning of “new and unused”:

*“To be considered “new”, the solar PV panels must have been recently acquired and installed and mounted on or affixed to a residence mainly used for domestic purposes. In the event that the panels had been acquired years before but had not been installed, it would be unused but not new. Unused means that the panels must not have been previously used for any purpose by any person.”*

[own emphasis]

10. We submit that the phrase “recently acquired” needs to be clarified. It is not clear just how recently the panels must have been acquired.
11. Suppose, for example, an individual purchased the solar panels on 1 April 2023, kept them in the original packaging (untouched) and only managed to install and bring them into use six months later in October 2023.
12. It is clear that such panels are unused, but would SARS consider them to be “new” under the SARS subjective period test applied for determining “new”?
13. We do not consider this to be a mere theoretical point.
14. There may be circumstances in which individuals are unable to install and use the panels promptly after acquiring them. Due to financial constraints, a person may have to purchase the various items in his solar system piecemeal (over several months, which may even be over 2 fiscal years).

### Page 3 – paragraph (c) – “brought into use for the first time”

15. The draft guide notes:

*“The tax credit is available only if the solar PV panels are brought into use for the first time by the same natural person that acquired it on or after 1 March 2023 and before 1 March 2024.”*

16. There may be individuals who acquired or purchased the solar PV panels before 1 March 2023 but only installed and brought them into use after 1 March 2023.
17. The guide does not indicate what evidence should be provided to prove the date of “brought into use for the first time.

18. **Submission:** The guide should clarify more explicitly that such persons will qualify for the section 6C tax credit as long as they still conform to the “new & unused” test and are brought into use after 1 March 2023 but before 1 March 2024.



19. It is submitted that the earliest date a solar system and panels can legally be brought into use is the date of the CoC having been issued. SARS should clarify whether it shares this view and what other factors and documents it would consider to prove compliance with this requirement.

**Page 8 – referencing – footnote number 19**

20. In the referencing at the bottom of page 8, a *Draft Guide on the Enhanced Deduction on Certain Assets used in the Production of Renewable Energy* is mentioned.

21. However, an internet search indicates that such a guide does not exist.

22. Is such a Guide currently being prepared by SARS but has not yet been published on the SARS website?

Yours sincerely

**Pieter Faber**  
**Executive: Tax**

**Lesedi Seforo**  
**Project Director: Tax Advocacy**

*The South African Institute of Chartered Accountants*