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Submission File

20 June 2025

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 DRAFT BINDING GENERAL RULING 4 (ISSUE 4) – APPORTIONMENT METHODOLOGY TO BE APPLIED BY A MUNICIPALITY**

We herewith present the comments of the South African Institute of Chartered Accountants (SAICA) on the draft Binding General Ruling 4 (Issue 4), which concerns the apportionment methodology to be applied by a municipality.

### **Page 2 – Background**

1. The following paragraph appears in the draft BGR, just before the paragraph titled 'Discussion':

*"It is accepted, however, that municipalities incur operating expenses that cannot be directly attributed to a specific purpose, also referred to as mixed expenses. In these instances, municipalities are required to apportion the VAT incurred on such expenses to determine the extent to which such VAT relate to the making of taxable supplies and which therefore may be deducted as input tax."* (own emphasis)

2. Submission: The word 'relate' underlined above should be 'relates'.

### **Page 4 – N2 – 'c' in the apportionment formula**

3. N2 in the draft BGR provides examples of items that would typically be included as part of 'c' in the apportionment formula. These include statutory fines, penalties and dividends.

4. Submission: It is submitted, however, that N2 should include more examples of items that would typically qualify for inclusion under 'c' in the apportionment formula; especially in the context of a municipal environment.

### **Pages 4 and 11 – A1 – Interest, other than the interest excluded from the formula in E11**



5. Submission: The reference to E11 is incorrect and should be E9.

## CONCLUSION

6. We once again thank SARS for the ongoing opportunity to provide constructive comments in this regard. SAICA continues to believe that a collaborative approach is best suited in seeking solutions to complex challenges and should you wish to clarify any of the above matters please do not hesitate to contact us.

Yours sincerely

**Lesedi Seforo**  
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*The South African Institute of Chartered Accountants*