



MEUMANN WHITE

A T T O R N E Y S

**PROPERTY OWNING COMPANIES OR
CLOSE CORPORATIONS WHICH ARE
REGISTERED VAT VENDORS**

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Of late we have come across various property owning close corporations and companies which have been registered as a Vat Vendor.

In our view such a property owning close corporation or company generally will not be required to register for Vat in terms of the Vat Act as it will not be doing a turnover of in excess of R150 000,00. The reason why most persons register their property owning close corporation or company for Vat is that by those means they are available to obtain a refund of their transfer costs. Thereafter should the close corporation or company sell the property, then the Receiver will demand 14% Vat from the company or close corporation as it is a Vat Vendor.

Accordingly, where a purchaser purchases the shares in a Vat registered company or the interest in a Vat registered close corporation, that purchaser will be taking over the liability for Vat. If that purchaser in years to come were to sell the property to another purchaser then he would be required to pay Vat (through the company or close corporation) to the Receiver. If the purchaser, when he sells the property in years to come, is able to sell the interest in the close corporation or the shares in the company then the Vat will not become payable. However a purchaser can never be sure whether any subsequent purchaser will be prepared to buy the shares in the company or the interest in the close corporation.

In our view therefore it is an added risk that a purchaser is taking when he purchases such a Vat registered close corporation or company and estate agents should be careful to first of all ascertain whether the property owning close corporation or company is a Vat Vendor and, if so, to warn any potential purchaser of the implications.