Impact of VAT increase on point-of-sale developers

A lot has been written about the impact of the looming VAT increase on the ordinary South African, but not so much on how this will affect technology vendors, particularly point-of-sale developers, who have very little time to ensure the new rate is implemented.

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What will happen on 1 April when the parking garage kiosk or credit card terminal software is not 15% VAT compliant? Will the boom stay closed or will transactions be declined?

"The impact is not that easy to predict," says Hein Koen, director of Flickswitch - a leading connectivity provider for kiosk and machine-to-machine (M2M) devices. "Because this is the first time in 25 years that a VAT change needs to be rolled out to all kinds of devices in the field, the impact cannot be easily anticipated. It could be a non-event, like Y2K or it could lead to a lot of frustration and systems downtime".

Devices that will be impacted include point-of-sale (till) devices, credit card terminals, airtime vending terminals, kiosks and parking meters. Koen says that there are some older devices that cannot receive remote or 'over-the-air' updates.

"This means that technicians will have to be deployed to manually update these devices. The cost of this exercise could have a big impact on some providers," says Koen.

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Linda Ensor 5 Mar 2018

He notes that even devices that were designed to have some remote update capability will for the first time be tested to change the VAT rate. "The forced software upgrades to do the VAT change may also lead to other unexpected issues. Most of these systems are reliant on machine-to-machine connectivity to ensure that they retrieve the correct information from their servers. If these don't function as planned we could end up with a lot of faulty devices," says Koen.

The time frame in which the VAT changes must be implemented also makes it challenging for device operators. Treasury has mandated that the VAT rate change be implemented on 1 April 2018.

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