How will the VAT increase impact on your next holiday?

By Dorine Reinstein

29 Mar 2018

It's all systems go for the 1% VAT hike from 14% to 15%, with the South African Revenue Services (SARS) issuing a statement saying it is ready to implement the increase with effect from this weekend.

Most South Africans have seen a flurry of notices of the VAT increase hit their inboxes with every shop, vendor and service provider reminding them that the increase is imminent. The good news, however, is that South Africans can still escape to any exotic destination without having to worry too much about adding 1% to their budget.

tookapic via pixabay

Charmaine van Niekerk, HR and Operations Director for Club Travel, explains that the 1% VAT increase is a negligible factor when it comes to airline bookings and will only be applicable on the base fare of domestic air travel. Keeping in mind that the bulk of the cost of a local air ticket tends to consist of taxes and surcharges and not the base fare, the 1% increase on the base fare can indeed be considered negligible.

Van Niekerk adds that no VAT is applied on international airfares, so for international holidays, travellers will only see a 1% VAT increase on the service fee they pay to the travel agent. This is again unlikely to have a major impact on their holiday budget.

Less disposable, rising business costs

This sentiment is echoed by Theresa Szejwallo, MD of the Travel Corporation in South Africa. However, Szejwallo warns the general public is likely to feel the pinch in other areas of life, which means they will have less disposable income for travelling costs.

Local establishments and attractions could also be seen increasing their prices and tariffs, as the VAT increase will see their business costs rise as a result of increased transport and food prices. This hike in business costs is likely to be passed on to visitors, both international and local.

However, before you rush to your local travel agent to book your holiday before the VAT increase this weekend, know that it might just be too late already. According to VAT experts, in order to determine whether the supply of services attracts 14% or 15% VAT, the general and specific time of supply rules apply. This means that if an invoice is issued before 1 April, 14% VAT will apply, after 1 April, 15% VAT will apply.

Depending on the circumstances, even if an invoice is issued before 1 April but the delivery of the goods or services occurs after 1 April, the new rate may apply.

Establishments like SANParks has also already announced that they will be adjusting tariffs upwards as they are a registered VAT vendor. They've warned travellers that even if they are already holding a confirmed reservation for a stay or for activities from 1 April, they will be asked to pay the difference as a result of the increased VAT rate.

Dorine Reinstein, Content Editor, Big Ambitions

ABOUT THE AUTHOR

Dorine Reinstein, Content Editor, Big Ambitions. Dorine Reinstein is a seasoned travel writer and editor, who is passionate about retail travel as well as inbound tourism. She has written for award-winning publications including Travel Weekly, SA Tourism Update, Travel Buyer and Travel News Weekly. Dorine has completed her Honours Degree in English and Dutch Literature in Belgium as well as her Honours Degree in Drama in France. When moving to South Africa, she obtained her Advanced Journalism Diploma in Johannesburg. She has a knack for languages and can write effortlessly in English, Dutch and French.