

Tax Invoice Compliance

You may have studied the compliance requirements in VATNEWS20 as well as the VAT 404 Vendors Guide. For the average person it's sometimes difficult to interpret legal requirements as well as understanding technical specifications, especially when it is presented in a statute or a government regulation.

Herewith a short discussion of the various requirements for Electronic Tax Invoices for purposes of claiming input tax.

1. Written Permission:

Before you may send someone an Electronic Tax Invoice, you first must obtain written permission from such a person that he will accept Tax Invoices from you in electronic format. "Written" does not exclusively mean a hand written or printed-paper document, but includes electronic documents, for example an email message to confirm acceptance. This written acceptance must be retained for a period of 5 years from the date of last concluded transaction with such a person.

Please note: **You do not have to obtain any permission in advance from SARS to send Electronic Tax Invoices, but it is of the utmost importance to ensure that you are absolutely legally compliant, before utilizing this method of communication.**

2. The Tax Invoice must be at least 128 bit encrypted and/or digitally signed:

The reason for this requirement is to ensure a tamper free document. You do not have to understand the technical inner workings of this specification, but it is important to ensure that your Tax Invoices are compliant with this requirement. At present the worldwide standard for sharing encrypted or digitally signed documents is the .PDF format. Free .PDF reader software is available from Adobe.com – so it makes it easy to share documents in this format. **Please note – unsigned or unencrypted PDF documents are not secure and is editable.**

Unfortunately you have to invest in very expensive software to be able to encrypt documents or you have to utilise the services of a reputable service provider where your documents are automatically encrypted in the communication process. Verifynow dot Info (Pty) Ltd (<https://www.verifynow.info>) renders such a service, which ensures 100% compliance. All Tax Invoices communicated / shared through our platform is automatically encrypted and/or digitally signed.

3. **The Electronic Tax Invoice must be sent over a secure line:**
This means that the process of communication / delivery of the Electronic Tax Invoice must also be secured by means of 128 bit encryption. Secure (encrypted) communication via the internet will be indicated by means of “[https](https://)” in the web address or the communication process. Ordinary email processes are not compliant with this requirement.

4. **Retention of the Tax Invoice for a period of 5 Years:**
You have to retain the original encrypted / digitally signed Electronic Tax Invoice for a period of minimum 5 years from the date of the transaction. The previous version of the VAT 404 Guide stipulated that, **should you utilise the services of a Service Provider to communicate / deliver / store the Electronic Tax Invoice, such Service Provider must also retain your Electronic Tax Invoice for a period of 5 years and must keep it accessible for SARS, should SARS need access to the document.** Although not a requirement in the latest VAT 404 Guide, it will just ensure the credibility of the Electronic Tax Invoices

This means that should you send an Electronic Tax Invoice as an attachment to an email message, then your Internet Service Provider (ISP) should preferably retain a copy of the invoice for a period of 5 years. It must be clear that no ISP will retain any of your email attachments and keep it available for SARS for a period of 5 years.

By utilising the services of Verifynow dot Info (Pty) Ltd (<https://www.verifynow.info>), all Electronic Tax Invoices are retained by them for a minimum period of 5 years.

5. **The Electronic Tax Invoice is the original document:**
The transmitted electronic document will constitute the original tax invoice. Hard copies extracted from the system must bear the words “copy tax invoice”. All further copies must also bear such words. Should you print a copy of the Electronic Tax Invoice, you are obliged to clearly mark it with the words “copy tax invoice”.