

15 August 2023

Circular 529

## **To all Sasria Agents and Intermediaries**

### **Introduction of 45-day premium remittance**

Sasria is required to account for VAT output on the insurance premium income (“premium”) it receives in terms of section 7(1) of the VAT Act.

The timing of the declaration of the premium is governed by section 9(1) of the VAT Act, which provides that the time of supply of goods or services is, except as otherwise provided in the VAT Act, deemed to take place at the time that an invoice is issued by the supplier in respect of a supply or the time any payment of consideration is received by the supplier in respect of the supply, whichever time is earlier.

Due to the unique environment in which insurers operate, SARS issued Binding General Ruling 14 (BGR14) to address many issues relating to VAT on short term insurance, which included clarification on the time of supply and tax invoices.

In terms of BGR 14, where premiums are handled by an intermediary, such premiums are deemed to be received by the principal at the same time that they are received by the intermediary.

Sasria is required to account for VAT on insurance premiums in the tax period in which the insurance premiums are paid to its intermediaries or intermediaries’ brokers in accordance with section 9(1) of the VAT Act, read with BGR14.

In terms of section 28 of the VAT Act, a vendor registered for e-Filing is required to submit their VAT return and make payment by the 25th of the month following the relevant tax period.

In terms of the existing outsource agreements, Sasria accounting regulations, and intermediary agreements, Sasria agents are provided with 30 days after the end of the month in which the SASRIA premium is collected to remit the premium to Sasria, together with the associated and supporting Annexure 1 return.

Based on the requirements of section 54(1), read with section 54(3) of the VAT Act, the SARS guide for Short Term Insurance provides as follows:

*“As any premium received by an agent is regarded in law as a receipt by the principal, the liability to account for VAT arises in the hands of the insurer at the time that the premium is received by the agent. It is therefore very important that intermediaries (agents) who collect premiums on behalf of their principals (insurers) make sure that they supply the necessary information within the 21-day period after the end of each month as required in terms of section 54(3), as insurers will have to account for the VAT on e-Filing by the end of the month after the completion of the relevant tax period”.*

In terms of the SARS guide for Short Term Insurance, Sasria has 21 days after month end to collect premiums from its intermediaries and declare the output VAT to SARS on the 25<sup>th</sup> day to comply with section 9(1) of the VAT Act.

Furthermore, Regulation 4.3 of the Short-Term Insurance Act, 1998 states: ‘A person authorised, as contemplated in regulation 4.1, shall, within a period of 15 days after the end of every month in which premiums are received, pay to the short-term insurer concerned the total amount of those premiums received during that month...’

The shorter of the period prescribed by the VAT Act and the regulations to the Short-Term Insurance Act is thus 15 days.

### **Industry engagement**

In February 2023, our Stakeholder Engagement team engaged extensively with the industry through the South African Insurance Association to deliberate on this specific requirement. Valuable inputs from the industry were considered during this process.

Initially, Sasria's stance was to synchronize the submission of the new 45-day data annexure with the premium remittance. However, concerns were raised by several agent companies regarding cases where collection agents and other third-party mechanisms are involved. They argued that this approach would not provide them with sufficient time to consolidate all the received premiums and ensure timely payments to Sasria.

It is therefore, based on that engagement that Sasria has reached the decision not to reduce the premium remittance period to 45 days as the case for the data “annexure” supporting the premium payment.

#### **45-day premium annexure submission effective date**

To ensure that Sasria complies with the Short-Term Insurance Act and its VAT obligations, it is requested that Sasria agents provide Sasria with the completed Annexure 1 return by no later than the 15<sup>th</sup> day of the month following the end of the month in which Sasria premium is collected. This will be applicable to annexure 1 returns being submitted from January 2024 for cover initiated in December 2023 (i.e., December 2023 annexures must be submitted by the 15<sup>th</sup> of January 2024 instead of the 31<sup>st</sup> of January 2024).

Your co-operation and assistance in this regard will be greatly appreciated.

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Yours Sincerely

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Bajabulile Mthiyane  
Chief Financial Officer

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Mpumi Tyikwe  
Chief Executive Officer