



South African Insurance Association

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04 APRIL 2025

TO ALL MEMBERS

SOUTH AFRICAN INSURANCE ASSOCIATION (SAIA)

UPDATE ON VAT RATE CHANGE

The Minister of Finance in his budget speech tabled on 12 March 2025 announced a phased increase in the VAT rate from 15% to 15,5% effective 1 May 2025, and thereafter from 15,5% to 16%, effective 1 April 2026. Following that, SAIA circulated **SAIA Circular SG2025-012** Increase in the VAT Rate.

Accordingly, SAIA contacted the Financial Sector Conduct Authority ("FSCA") with regards to the above matter. In its response, the FSCA has advised that while the 31-day notice requirement does not apply to the VAT change, they encourage non-life insurers to send general communications to all policyholders reminding them that the impending VAT increase will impact their premiums going forward.

SAIA appointed a VAT Expert to assist with the interpretation of the guidelines and Frequently Asked Questions (FAQs) attached herein.

Members are also encouraged to align their communication with their policy wording provisions for avoidance doubt. Members may use the guidelines and the FAQs for communication with their policyholders.

SAIA will publish these attached documents on its website.

1. Industry FAQs final 030425;
2. Public FAQs final 030425;
3. Media announcement of approach for short-term insurance 2025 final 030425.



DIRECTORS: T Mahlangu (Chairperson), DH Matthee (Deputy Chairperson), R Attwell, JP Blignaut, L Botha, PJ Donnelly, C Jacobs, W Lategan, TC Madzinga, W Marte, M Motale, G Mtetwa*, E Naidoo, CD Nortje, SD Paterson, T Pillay, V Pearson, P Siphugu, M Tyikwe, AR Weilbach

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For any queries on this circular, please send an email to Afika@saia.co.za.

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#158909

Attachments:

#158912 - Industry FAQs final 030425

#158910 - Public FAQs final 030425

#158911 - Media announcement of approach for short-term insurance 2025 final 030425



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VAT RATE CHANGE – MEDIA ANNOUNCEMENT OF IMPACT AND APPROACH IN NON-LIFE INSURANCE

The Minister of Finance in his Budget Review, 2025 on 12 March 2025 announced a phased increase in the VAT rate from 15% to 15,5% effective 1 May 2025, and thereafter from 15,5% to 16%, effective 1 April 2026.

We noted the media reports in which it is speculated whether or not the VAT rate increase will be implemented. The legal position is that, in terms of section 7(4) of the Value Added Tax Act, 89 of 1991, the VAT rate increase as announced by the Minister will take effect on 1 May 2025. It is only in the event that a legislation amendment is passed, or a government notice is published before 1 May 2025 which has the legal effect that the provisions of section 7(4) are no longer applicable, that the VAT rate will not increase on 1 May 2025.

The supply of non-life insurance constitutes a taxable supply of services for VAT purposes and is subject to VAT at either the standard rate or the zero-rate.

There are a number of key issues arising from the increase in the VAT rate that will affect the majority of policyholders, and this notice is published to create consistent wide-spread awareness of the direction the industry proposes in addressing the VAT rate increase. This approach is in line with the spirit of the VAT Act and other regulatory requirements.

Impact on premiums

In general terms the new VAT rate of 15,5% applies to premiums for cover periods commencing on or after 1 May 2025.

For example, for monthly paid premiums a VAT inclusive premium of R115 paid by debit order for the cover month of April 2025 will increase to R115,5 for the cover month of May 2025 and for the months thereafter.

Annually paid premiums for new policies and renewals for cover periods commencing on or after 1 May 2025 will include VAT at 15,5%.

No adjustment is required for annual policies with cover that commenced prior to 1 May 2025 and for which the premium was paid before 1 May 2025.

Please note that where quotes were previously issued at 15% in respect of cover periods on or after 1 May 2025, the premium collected will include VAT at 15,5% and not the 15% previously quoted.



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Communication to policyholders

The FSCA has confirmed that insurers are not required to inform policyholders of the increase in premiums resulting from the increase in the VAT rate under the Policyholder Protection Rules pertaining to changes to the terms and conditions of a policy.

The FSCA has further advised that while the 31-day notice requirement under the Policyholder Protection Rules does not apply in these circumstances, non-life insurers are encouraged to send a general communication to all policyholders reminding them that the impending VAT increase will impact their premiums going forward.

Impact on claims settlements

Regardless of policies having been written including VAT at 15% at the time a claim arose, insurers will settle claims including VAT at 15,5% with effect from 1 May 2025.

Impact on excesses

Where an excess is expressed as a percentage of the claim value the percentage is then applied to the claim value that includes VAT at 15,5% for claims settled on or after 1 May 2025 i.e. the excess will also include VAT at 15,5%.

Where an excess is expressed as a fixed amount, such amounts should technically be increased for VAT at the new rate of 15,5% (for example, an excess of R1 000.00 should become R1 004.35). However, insurers will generally not immediately change such fixed amount excesses. If and when changes are required, these will be addressed individually by insurers with their policyholders.

Impact on policy documentation

There is no requirement to re-issue policy documentation reflecting VAT at the new rate of 15,5%. Policy documents will only be re-issued showing the new rate at the time of annual renewal (for annual policies) or annual anniversary date (for monthly paid policies) or when policy documents are issued following other changes made to the policy.

For tax invoice purposes, where policyholders are VAT vendors, a policy document reflecting VAT at 15% and containing certain prescribed information when supported by evidence of payment of the premium at 15,5% will constitute a valid tax invoice so as to permit the deduction of a VAT input credit of 15,5%.

Common approach

The effect of the change in VAT rate is a significant administrative and logistical exercise that necessitates a consistent industry-wide approach. The outcome is not seen to materially prejudice any sector of policyholders or to improperly advantage any insurer or other market stakeholder. This approach facilitates prompt and wide-spread communication to all policyholders by way of public announcement. This public announcement will be available for referencing by insurers in further communications with their own policyholders.

There may be instances where a particular insurer may not want to follow the industry approach. The insurer will then communicate the variation to its affected policyholders individually.

Should any policyholder have any concerns and or questions, they are advised to contact their Insurance Broker and or Insurer for further information.

#158911

INCREASE IN VAT RATE - INDUSTRY FREQUENTLY ASKED QUESTIONS

The Minister of Finance in his Budget Review, 2025 of 12 March 2025 announced a phased increase in the VAT rate from 15% to 15,5% effective 1 May 2025, and thereafter from 15,5% to 16%, effective 1 April 2026.

The following questions and answers ('FAQ's') are compiled to provide guidance to industry members regarding the impact of the increase in the VAT rate on non-life insurance transactions in line with the Value Added Tax Act, No 89 of 1991 ('the VAT Act'), non-life insurance specific SARS Binding General Rulings (BGR14, BGR32 and BGR37), Financial Sector Conduct Authority ('FSCA') requirements and the common approach to be applied across the industry.

In addition to this list of FAQ's a Public version is also compiled and placed on the SAIA website. Please consider both documents in conjunction.

The same principles as set out herein are also applicable when the VAT rate increases on 1 April 2026 from 15,5% to 16%.

Any comments and input are welcome in relation to any further matters that need to be included and / or if any matters are queried or require correction or further clarification.

FAQ	TOPIC	QUESTION	ANSWER
1	Premium	Does the increase in the VAT rate apply to non-life insurance premiums?	<p>Yes, where an insurance premium attracts VAT at the standard rate the VAT component of the VAT inclusive premium increases from 15% to 15,5% with effect from 1 May 2025.</p> <p>Example:</p> <p>Premium of R115 becomes R115,5</p> <p>In particular the insurer will be liable for output tax from 1 May 2025 equal to the tax fraction (15,5/115,5) of the premium, irrespective of whether or not the premium was in fact adjusted for the VAT rate increase. An insured VAT vendor will, subject to the normal rules, be entitled to deduct the VAT included in the premium as input tax.</p>
2	Premium	<p>What is the general rule regarding when to apply the new VAT rate of 15,5% and the old rate of 15% to premiums in the transition period?</p> <p>This question is unpacked below in view of the transitional rules provided for in the VAT Act and also in the Public FAQ that should also be considered for completeness.</p>	<p>BGR 14 stipulates that the time of supply of non-life insurance is when the insurer or its intermediary receives payment of the insurance premium. Accordingly, the general principle as to which rate of VAT should apply is the VAT rate applicable at the time the premium is received. Therefore:</p> <ol style="list-style-type: none"> 1. Premiums paid before 1 May 2025 for a cover period which ends before 1 May 2025 are subject to VAT at 15% 2. Premiums paid before 1 May 2025 for a cover period on or after 1 May 2025 are subject to VAT at 15% 3. Premiums paid on or after 1 May 2025 for a cover period on or after 1 May 2025 are subject to VAT at 15,5%. <p>For premiums paid on or after 1 May 2025 for a cover period which ended before 1 May 2025, the specific transitional rule in section 67A(1)(c)(i) overrides the general rule. Such premiums are subject to VAT at 15% (see FAQ 7)</p>
3	Premium	Can VAT continue to be applied to premiums on and after 1 May 2025 at the old rate of 15% until IT systems can be changed to accommodate an increase to 15,5%?	<p>No. Whether or not the VAT inclusive premium is increased by the VAT rate increase the insurer remains liable to pay output VAT at the new tax fraction (15,5/115,5) of the premium received. Accordingly, if the premium is not increased by the VAT rate increase, it will result in a reduced VAT exclusive premium and a reduction in premium revenue for the insurer. This also creates similar reductions to commissions and insurer fees which are linked to the premium.</p> <p>If the insurer's systems cannot be changed before 1 May 2025, it is recommended that manual work arounds be applied to determine the new VAT inclusive premium value. A suggestion is to take the VAT inclusive premium at the former 15% (per existing rating engine), increase it by 115,5/115 (100.4348%) to determine the new VAT inclusive premium at 15,5%. The output tax is then determined by applying the new VAT fraction for accounting and disclosure purposes.</p>

FAQ	TOPIC	QUESTION	ANSWER
4	Premium	How will the VAT rate change apply to policies where premiums have been paid before 1 May 2025 for annual or fixed term periods of cover commencing before 1 May 2025 - say an annual policy purchased or renewed on 1 January 2025 and paid on 31 March 2025	For an annually paid premium i.e. in respect of an annual or fixed term cover period that commenced before 1 May 2025 - where the premium was paid before 1 May 2025, there is no effect on the premium already paid. No adjustment to the premium needs to be made provided there is no variation made to the cover that requires increased or reduced premium (see also FAQ 14).
5	Premium	How will the rate change apply to policies where premiums for annual or fixed term periods of cover that commenced before 1 May 2025 are paid on or after 1 May 2025?	<p>The special transitional rule provided for in section 67A(1)(c)(i) applies to premiums paid on or after 1 May 2025 for cover periods spanning 1 May 2025.</p> <p>For an annually paid premium i.e. in respect of an annual or fixed term cover period that commenced before the VAT rate change (say in April 2025) where the premium is paid on or after 1 May 2025, the premium must be apportioned to determine the portion of the premium which is attributable to the cover period before 1 May 2025, and the portion of the premium attributable to the cover period thereafter. The VAT rate of 15,5% will apply to the premium attributable to the cover period on or after 1 May 2025, whereas 15% will apply to the premium attributable to the cover period before 1 May 2025.</p>
6	Premium	How will the rate change apply to policies where premiums are paid for annual or fixed term periods of cover commencing on or after 1 May 2025?	For an annually paid premium i.e. in respect of an annual or fixed term cover period that commences on or after 1 May 2025, the new VAT rate of 15,5% will apply if payment is received on or after 1 May 2025. Where payment is received before 1 May 2025, the VAT rate of 15% will apply.
7	Premium	How will the rate change apply to policies where premiums are paid monthly for monthly periods of cover?	<p>For a monthly paid premium in respect of a policy with a cover period of one month that is renewable monthly (being the vast majority of monthly paid policies) the VAT rate of 15,5% applies for cover periods commencing on or after 1 May 2025 if payment is received on or after 1 May 2025. I.e.</p> <ul style="list-style-type: none"> - Premium for April cover month attracts VAT at 15% whether paid before, on or after 1 May 2025. (see FAQ 2). - Premium for May cover month attracts VAT at 15,5%, if paid on or after 1 May 2025 and 15% if paid before 1 May 2025.
8	Premium	How will VAT be applied to a monthly policy that incept during April but where the first premium charge on say 1 May 2025 includes the cover month of April and May?	The VAT rate applicable will depend on when the premium is paid and the cover period. If the premium is paid before 1 May 2025, VAT at 15% will apply provided the premiums are customarily paid in advance. If the premium is paid on or after 1 May 2025, VAT at 15,5% will apply to the pro-rata May 2025 portion of the premium whereas 15% will apply to the pro-rata April 2025 portion of the premium.
9	Disclosure and documentation	How will the scenario per FAQ7 be disclosed for VAT invoice purposes (where such documentation is issued) i.e. premium notifications and / or other policy documentation per BGR14?	The new premium will be reflected on the policy schedule and the VAT rate disclosed might be 15% or 15,5% depending on when the insurer will update its underlying policy administration system and depending on the renewal date of the policy. Where policy schedules are issued before 1 May 2025 reflecting the VAT rate of 15%, such policy schedule need not be re-issued to reflect VAT at 15,5% (section 67 of the VAT Act refers). However, it is important that the policy schedule specifies which VAT rate was applied to the premium and that insurers notify affected policyholders. In this regard a public announcement was made by the industry during April 2025 to ensure that this condition is met. The public announcement is available on www.saia.co.za . It is recommended that this is also recorded on insurer web sites with an option to print a suitable notice for use by policyholders who are VAT vendors.
10	Premium	What if a premium debit order for April at 15% for a cover period ending before 1 May 2025 is returned unpaid and is re-presented for payment in May?	The applicable VAT rate will remain at 15% because the VAT rate applicable to the premium is based on the cover period and not date of payment.

FAQ	TOPIC	QUESTION	ANSWER
11	Premium	Will debit orders for April 2025 unpaid with VAT at 15% that are re-presented in May 2025 be separate to debit orders for the May 2025 premium with VAT at 15,5%?	<p>This is unlikely. The two VAT inclusive premiums are likely to be combined in a single debit order but with reference to policy premium documentation that must comply with the requirements for an alternative tax invoice per BGR14.</p> <p>Premium documentation prepared prior to the rate change where VAT is shown at 15% used together with a revised premium payment inclusive of VAT at 15,5% has been confirmed by BGR 14 to comprise sufficient supporting evidence for policyholders who are VAT vendors to claim an input credit by applying the new tax fraction (15,5/115,5), provided the policy documentation meet the requirements of BGR 14.</p>
12	Premium	How will the rate change apply to policies that provide cover for an annual or fixed term periods (i.e. beyond one month) where the premium is paid monthly?	<p>The standard "time of supply" for such cases is the effective commencement date of cover (whether annual or for a fixed period) at which time the obligation to pay the full premium arises. In cases where the inception of such policies is before 1 May 2025, VAT on the total premium should have been accounted for at 15% on commencement of cover where payment of the first premium instalment was received before 1 May 2025. Section 9(1) of the VAT Act read with BGR 14 triggers the time of supply on the total premium when any payment of consideration is received. There is then no further VAT consequence on the payment of the subsequent agreed instalments on and after 1 May 2025 - these being regarded as financial transactions.</p> <p>In some instances these policies contain certain cancellation clauses which effectively means that the obligation to pay does not arise upfront. In these instances the VAT rate applicable will be the same as for monthly policies, refer to FAQ 7.</p>
13	Premium	For an annual or fixed term cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premium refunds where policies are cancelled before the end of the cover period.	The premium refunds in relation to premiums that were subject to VAT at 15%, are also subject to VAT at 15%
14	Premium	For an annual cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premiums in respect of variations in cover where the effective date of the variation is on or after 1 May 2025?	<p>For variations on or after 1 May 2025 requiring an additional premium, these will attract VAT at 15,5%.</p> <p>For variations requiring a partial refund of premium previously paid with VAT at 15%, these also attract VAT at 15%</p>
15	Premium	For an annual cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premiums in respect of variations in cover where the effective date of the variation is before 1 May 2025 but the premium is only collected after 31 April 2025?	<p>If the cover period in relation to the adjustment premium ends before 1 May 2025, 15% applies.</p> <p>If the cover period in relation to the adjustment premium spans 1 May 2025, then apportionment applies i.e. 15% for the cover period before 1 May 2025 and 15,5% for the cover period thereafter.</p>
16	Premium	What VAT rate will apply to extensions in cover periods on policies in force before 1 May 2025 where the premium was raised including VAT at 15%?	Premiums for such extensions to cover will attract VAT at 15% if the cover period ends before or after 1 May 2025, and the premiums were paid before 1 May 2025. For premiums paid on or after 1 May 2025 for an extension cover period commencing before and ending after 1 May 2025, the premium must be apportioned as explained in FAQ 5. Where the extension to cover takes effect on or after 1 May 2025 and the premium for the extension cover is paid on or after 1 May 2025, such premium is subject to VAT at 15,5%.
17	Premium	Which VAT rate will apply to no-claim bonuses and cash-back incentives?	No-claim bonuses and cash-back incentives will be treated in line with any other premium adjustments (per FAQ13 & FAQ14). Where the no-claim bonus or cash-back payment relates to a premium that was subject to VAT at 15%, such no-claim bonus or cash-back payment will also be subject to VAT at 15%.

FAQ	TOPIC	QUESTION	ANSWER
18	Premium	What rate will apply to marine declarations and other such "true-up" adjustments made in arrears where the cover period under the policy commenced before 1 May 2025?	<p>Where policies qualify for VAT at the zero rate, premiums paid in respect of such policies will continue to attract the zero rate.</p> <p>Where policies are subject to VAT at the standard rate, the VAT treatment will be in line with any other premium adjustments (FAQ13 & FAQ14) and apportionment (FAQ5). This means that:</p> <ul style="list-style-type: none"> - declarations giving rise to additional premium for a cover period before May will be subject to VAT at 15% but for a cover period commencing on or after 1 May 2025 will be subject to VAT at 15,5% (special transitional rule in FAQ5). - declarations giving rise to a refund premium in respect of an original premium that attracted 15% VAT, then the VAT rate of 15% should apply (general transitional VAT rules under FAQ 13 & FAQ 14).
19	Claims	How does the VAT rate increase impact indemnity payments made	<p>Where indemnity claims payments are made prior to 1 May 2025, the insurer is entitled to a deduction of 15/115 of the payment made. If an indemnity payment is made on or after 1 May 2025, the insurer may make a deduction for VAT equal to 15,5/115,5 of the indemnity payment made, irrespective of whether the claim relates to a cover period prior to 1 May 2025 or if the claim was intimated prior to 1 May 2025.</p> <p>Vendor insureds will be liable to account for output tax equal to 15,5/115,5 of any indemnity payment received on or after 1 May 2025 or made by the insurer on or after 1 May 2025 to a third party to indemnify the insured under a contract of insurance, irrespective of when the claim was intimated.</p>
20	Claims	Will insurers pay claims inclusive of VAT at 15,5% despite the premium only having been paid with VAT at 15%?	Yes. Despite the sum insured on a policy being set at an amount inclusive of VAT at 15% (say R115 000) the insurer should settle claims paid on or after 1 May 2025 with VAT at 15,5% (i.e. R115,5 00). The insurer is then entitled to a deduction for VAT equal to the tax fraction (15,5/115,5) of the claim settlement amount leaving the VAT exclusive cost of claim at R100 000.
21	Claims	Will insurers require excesses to increase?	<p>In principle yes. An excess is the portion of a loss that the policyholder has agreed to pay themselves. Excesses are generally expressed along with sums insured and other policy limits on a VAT inclusive basis. So if the excess was say R10 000 inclusive of VAT at 15% it should increase to R10 043.48 inclusive of VAT at 15,5%. This represents an actual increase in cost to individuals and entities that are not VAT vendors.</p> <p>Policyholders who are VAT vendors will have an increased input credit on such self insured loss amounts where they apply the excess as part payment to acquire goods or services to repair or replace the goods insured, so the VAT exclusive cost will remain the same if the excess amount is increased.</p> <p>So, where an excess is stipulated as a fixed amount, the excess amount should be increased to take the increased VAT rate into account to maintain equilibrium (another example is an excess of R1 000,00 should become R1 004.35). However it is more likely that in view of the low materiality levels insurers may generally decide to leave such fixed amount excesses unaltered. This will be regarded as the industry default approach unless advised otherwise by an insurer to policyholders.</p> <p>Where an excess is expressed as a percentage of the claim, the excess will be based on the VAT inclusive claim cost at 15,5% for claims settled on or after 1 May 2025. Where the claim is settled at a value inclusive of VAT at 15,5% then the VAT inclusive value of the excess as a pre-agreed percentage of this includes VAT at 15,5% and the equilibrium between insurer and policyholder share of loss is maintained.</p>
22	Disclosure and documentation	May an insured deduct input tax at 15,5% even if the policy document states a premium inclusive of VAT at 15%?	<p>Yes, in terms of BGR 14 the policy schedule together with proof of payment constitutes an alternative to a tax invoice. A policy schedule reflecting a premium of R115 together with proof of payment for the R115,5 premium actually paid will be sufficient supporting documentation for the insured to claim input tax of R15,5, provided the insured has been informed by way of notice that the rate of 15,5% applies from 1 May 2025 (see SARS FAQ 59 regarding the increase in the VAT rate from 1 May 2025). In this regard a public announcement was made by the industry during April 2025 to ensure that this condition is met. The public announcement is available on www.saia.co.za.</p> <p>Kindly refer to FAQ 59 of the SARS FAQ: Increase in the VAT rate from 1 May 2025 available on www.sars.gov.za for confirmation of this arrangement.</p>

FAQ	TOPIC	QUESTION	ANSWER
23	Fees and commission	How will the increase in VAT rate affect commissions, brokerage and other remuneration paid by insurers that is calculated as a percentage of premium?	<p>The increase in the VAT rate applies to such remuneration paid by or on behalf of insurers and the principle is the same as for the underlying premium (as described in other FAQs in this document).</p> <p>Where the VAT inclusive value of underlying premiums increase for the additional VAT, this also provides an increased VAT inclusive remuneration amount so that when VAT is paid at 15,5% as output tax the net of VAT value remains the same.</p> <p>However where the underlying premium is not increased on or after 1 May 2025 the recipient is still required to pay output VAT at the new rate of 15,5% and this will create a reduction in net of VAT remuneration. For example, on a VAT inclusive premium of R757 the VAT inclusive commission is R115 and the VAT thereon is R15. The VAT exclusive commission is therefore R100. After the VAT rate increase on 1 May 2025, if the VAT inclusive premium remains at R757, the commission is R115 and the VAT payable thereon is R15,43. The net commission is therefore R99.57.</p> <p>For binder fees and outsourced services that are based on premiums paid - see FAQ 24. No advices have been received from the FSCA in respect of any negative impact on commissions. Any cases will need to be addressed individually.</p>
24	Binder and outsource fees based on premiums paid	How will the increase in VAT rate affect binder and outsource service fees that are based on premiums paid?	<p>Binder and outsource fees invoiced on or after 1 May 2025 for services performed before 1 May 2025 are subject to VAT at 15% and for services performed on or after 1 May 2025 are subject to VAT at 15,5%.</p> <p>This treatment is based on the assumption that binder and outsource services are generally performed on an ongoing basis throughout the year and fees are raised by way of a tax invoice one month in arrears. This is in line with the provisions of the VAT Act regarding services that are supplied under an agreement that provides for periodic payments under section 9(3)(a) read together with the VAT transitional rules under section 67A(1)(c)(i).</p> <p>Note that the rate to be applied always follows the period in which the services are performed. Accordingly, fees charged for services performed prior to 1 May 2025 are subject to VAT at 15%, whereas fees charged for services performed on or after 1 May 2025 are subject to VAT at 15,5%.</p>
25	Fees and commission	How will the increase in VAT rate affect fee payments (e.g. policy administration fees, value-added products / services, etc.) made by insurers where the fees have been agreed at VAT inclusive levels (say round amounts)?	These fees may be increased by the increase in the VAT rate on or after 1 May 2025 (section 67 of the VAT Act refers) so that the VAT exclusive amount in the hands of the supplier remains the same.
26	Sums insured	How does the increase in VAT rate affect sums insured and other policy limits and sub limits that were set before 1 May 2025	In most instances policies are written on a VAT inclusive basis meaning that all sums insured and other monetary limits and sub limits are specified at VAT inclusive levels. In principle wherever a policy limit or sub limit is referred to and forms the basis of settlement in the event of a claim, the amount needs to be at least notionally increased (see below) to allow for the increase in the VAT rate. This will support the same VAT exclusive claim cost and settlement amount in the hands of the policyholder. While it is recognized that the setting of sums insured rests with the policyholder, each insurer should decide on how it will treat the impact of the VAT rate increase on the sum insured.

FAQ	TOPIC	QUESTION	ANSWER
27	Disclosure and documentation	Are the increases to premium and sums insured regarded as changes to policy terms and conditions requiring 31 days prior notification to policyholders?	The FSCA confirmed that the 31-day requirement in terms of Rule 11.6.3 and 11.6.4 of the Policyholder Protection Rules do not apply to the VAT rate increase. However, the FSCA stated that insurers are encouraged to send a general communication to all policyholders reminding them that the impending VAT increase will impact their premiums going forward.

28	Disclosure and documentation	If premium increase notifications cannot be implemented effective 1 May, will the FSCA's relaxation of the 31 day notification rule then still apply in June and July?	Yes, the dispensation will apply to all policies affected by the change in VAT rate and seeing as renewals are processed up to 3 months in advance of the actual renewal date the dispensation will cater for discrepancies until all policies inceptioned when VAT at 15% applied, have been renewed. It is envisaged that this could be up to 15 months in some instances.
29	Premium	How does the change affect premiums collected by intermediaries before 1 May 2025 that are paid to insurers on and after 1 May 2025?	<p>Where premium is collected by intermediaries before 1 May 2025 for cover period commencing before 1 May 2025, VAT at 15% will continue to apply even if the premium is paid to insurers on or after 1 May 2025, since the premiums are received by intermediaries as agents for and on behalf of insurers before the new rate applies. VAT at the rate of 15% also applies to commission deductions on such premiums.</p> <p>Where premium is collected by intermediaries before 1 May 2025 for cover periods inceptioning on and after 1 May 2025 (i.e. in advance), VAT at 15% applies, and VAT at 15% also applies to commission on such premiums.</p> <p>Premiums collected on or after 1 May 2025 for cover periods on or after 1 May 2025 will attract VAT at 15,5%. VAT at 15,5% will also apply to commissions on such premiums.</p> <p>Premiums collected on or after 1 May 2025 for cover periods prior to that date, are subject to VAT at 15%. The same applies to commissions on such premiums.</p>
30	Performance bonus	A performance bonus payment is made on 30 April 2025 and the premium renewal is processed on or after 1 May 2025. If the performance bonus payment is retained to be applied as part of the premium renewal which is due on 1 May 2025, and the retained performance bonus is set off against the renewal premium on 1 May 2025, which VAT rate will apply?	<p>Where the performance bonus is paid in respect of a premium which was subject to VAT at 15%, the VAT rate applicable to the performance bonus is also 15%. The insurer may deduct VAT at 15/115 of the performance bonus paid and a vendor insured must adjust for the input tax deduction previously made in respect of the premium previously paid at 15/115 of the performance bonus received.</p> <p>If the renewal premium falls due on or after 1 May 2025, and the retained performance bonus is set off against the renewal premium which becomes due and payable on or after 1 May 2025, the renewal premium is subject to VAT at 15,5%. Payment of the premium is only made when the actual set-off is applied, which is on or after 1 May 2025 for a cover period commencing on or after that date.</p>
31	Fees and commission	How does the increase in the VAT rate affect commissions on premiums collected by insurers direct from policyholders where the premium is collected before 1 May 2025 and the commission is paid to the intermediary on or after 1 May 2025?	<p>Premium for cover provided before 1 May 2025 collected by insurers before 1 May 2025 is subject to VAT at 15% and commission self-invoiced by insurers and paid to intermediaries on or after 1 May 2025 will also be subject to VAT at 15% in view thereof that the intermediary services were performed during the cover period prior to 1 May 2025.</p> <p>Premium for cover provided before 1 May 2025 collected by insurers on or after that date is subject to VAT at 15%. Where the intermediary services were performed before 1 May 2025, VAT at 15% will apply to the commission self-invoiced by insurers and paid to intermediaries on or after 1 May 2025 (section 67A(1)(c)(i) of the VAT Act refers).</p>
32	Disclosure and documentation	How does the VAT rate increase affect premium payment and / or claims settlement bordereaux?	Transactions and / or totals on bordereaux must stipulate transactions on which VAT is accounted for at 15% and transactions on which VAT is accounted for at 15,5% separately to enable the insurer to reflect these transactions separately on the insurer's the VAT201.
33	Fees and commission	How does the VAT rate increase affect fees payable to intermediaries by policyholders?	<p>Fees charged by intermediaries to policyholders that are dependent on the policyholder taking up the cover and which are linked to the payment of the premium, are subject to the same VAT rate as the premiums as outlined above.</p> <p>Fees charged by intermediaries to policyholders that are payable whether or not a premium is paid (i.e. more often charged to larger commercial and corporate clients for risk management services or in lieu of commission from insurers) are subject to VAT at 15% if they relate to services performed before 1 May 2025, irrespective of when an invoice is issued for such fees (section 67A(1)(c)(i) of the VAT Act refers). If the fees are charged for services supplied on or after 1 May 2025, the fees are subject to VAT at 15,5% if the invoice is issued on or after that date. If the invoice is issued before 1 May 2025 for services supplied on or after 1 May 2025, VAT at 15% will apply if such invoices are customarily issued on this basis.</p>

FAQ	TOPIC	QUESTION	ANSWER
34	Claims	How does the increase in VAT rate affect trade payments made to suppliers in claims settlements?	<p>Goods and services supplied and invoiced on or after 1 May 2025 will generally attract VAT at 15,5%. Insurers will be entitled to an input credit at the increased rate as reflected on the supplier's tax invoice, so the VAT exclusive claim cost to insurer will remain unchanged.</p> <p>Only the amount of VAT charged by the supplier may be claimed as an input tax deduction. Accordingly, if the supplier charged VAT at 15% but the supply should attract VAT at 15,5%, the insurer may not deduct the higher VAT rate as input tax because the insurer will not be in possession of a valid tax invoice to substantiate a higher input tax deduction. In such case the insurer should request a replacement tax invoice.</p>
35	Claims	How does the increase in VAT rate affect claims payments to policyholders made in claims settlements i.e. indemnity payments?	<p>Claim payments made by insurers on or after 1 May 2025 will give rise to an input credit under section 16(3)(c) of the VAT Act at 15,5%, with the result that insurers are entitled to make VAT inclusive indemnity payments at 15,5% without the VAT exclusive claim cost increasing.</p> <p>Insureds who are VAT vendors receiving indemnity payments on or after 1 May 2025 are required to account for VAT under section 8(8) of the VAT Act at 15,5%. Insurers should amend claim settlement notifications to policyholders accordingly.</p>
36	Claims	How does the increase in VAT rate affect "Third- party payments made by insurers to such third- parties where the insured is a VAT vendor? How will this affect the insured?	<p>The payment to the third party must be based on the third party's actual loss (as per the standard approach for third party settlements). So where a third party is a non VAT vendor and had a vehicle repaired, invoiced and paid before 1 May 2025 at 15% VAT, then the third party payment will be for that amount invoiced inclusive of VAT at 15%. Where the third party is a VAT vendor, the third party payment will be for the VAT exclusive amount.</p> <p>Where payments are made directly to third parties where the insured is a VAT vendor, the amount paid to the insured to compensate the insured for the insured's output tax liability under section 8(8) of the VAT Act, will need to be at 15% for payments made before 1 May 2025, and at 15,5% for payments made on or after 1 May 2025.</p>
37	Claims	How does the increase in the VAT rate affect recoveries from third-parties?	Recoveries from third parties are not subject to VAT so there is no effect to the insurer. If an insurer undertakes a recovery of an excess paid by an insured who is not a VAT vendor then it must be at the same VAT rate incurred by the insured.
38	Claims	How does the increase in VAT rate affect salvage sales by or on behalf of insurers?	Salvage sales are subject to VAT in the same way as any other supply of goods. Insurers are required to issue a tax invoice at the time of sale and if this date is before 1 May 2025, VAT at 15% applies. For salvage sales on or after 1 May 2025, VAT at 15,5% will apply.
39	SASRIA	Will SASRIA premiums be affected?	Yes, SASRIA premiums and claims are affected by the VAT rate increase in the same manner as it impacts on any other non-life premiums as described herein.
40	SASRIA	What impact will the new VAT rate have on monthly policies issued by SASRIA where insurers pay SASRIA in advance but collect from the client on a monthly basis?	Where an insurer pays SASRIA in advance prior to 1 May 2025, the payment is subject to VAT at 15%, and the subsequent collection of monthly payments from the insured is not affected.

FAQ	TOPIC	QUESTION	ANSWER
41	Reinsurance	Which VAT rate applies to reinsurance premium, commission (to cedents) and brokerage (to RI brokers)?	<p>If the time of supply per BGR32 is before 1 May 2025, VAT at 15% is applicable, whereas VAT at 15% and / or 15,5% applies where time of supply is on or after 1 May 2025.</p> <p>Example: Quarter runs from December 2024 to February 2025, time of supply is the due date of 15 April 2025. VAT at 15% is applicable to premium and commission.</p> <p>Example: Quarter runs from January 2025 to March 2025, time of supply is the due date of 15 May 2025. VAT at 15% is applicable to premium and commission.</p> <p>Example: Quarter runs from March 2025 to May 2025, time of supply is the due date of 15 July 2025. Apportionment applies, hence VAT at 15% is applicable to March 2025 and April 2025 premium and commission and VAT at 15,5% is applicable to May 2025 premium and commission.</p> <p>Example: Quarter runs from May 2025 to July 2025, time of supply is the due date of 15 September 2025. VAT at 15,5% is applicable to premium and commission.</p>
42	Reinsurance	Which VAT rate applies to reinsurance claims?	<p>Reinsurance claims paid to a cedent by reinsurers before 1 May 2025 is subject to VAT at 15%.</p> <p>Reinsurance claims paid to a cedent by reinsurers on or after 1 May 2025 is subject to VAT at 15,5%.</p> <p>The above must be applied both to individual claims paid and claims bordereaux offset against premium bordereaux in net accounting. For example, a net account for the quarter ended 30 April 2025 will have premium at 15% and claims at 15,5%.</p>
43	Reinsurance	Which VAT rate applies to reinsurance claims recoveries (i.e. reductions in claims values previously reimbursed by reinsurers)?	<p>Reinsurance claims recoveries paid by a cedent to a reinsurers before 1 May 2025 is subject to VAT at 15%.</p> <p>Reinsurance claims recoveries paid by a cedent to a reinsurers on or after 1 May 2025 is subject to VAT at 15,5%.</p> <p>Where reinsurance claims recoveries are netted from new claims paid on a reinsurance statement in respect of the period 1 January 2025 to 28 March 2025 which is due and paid on 15 May 2025, the recovery is subject to VAT at 15,5%.</p>
44	Reinsurance	For Excess of Loss reinsurance a Minimum and Deposit Premium (MDP) is paid in advance for contracts that run from 1 July 2024 to 30 June 2025. The MDP's are paid on 1 July 2024 and 1 January 2025 and cover the full period (1 July 2024 to 30 June 2025). Given that the MDP's that are paid in advance spans the implementation date, does the amount that relates to the period after 1 May 2025 need to be re-invoiced at the new rate?	<p>Where payment is made before 1 May 2025 for cover periods before and after 1 May 2025, VAT at 15% applies. Where payment is made after 1 May 2025 for a cover period before and after 1 May 2025, the MDP must be apportioned. The MDP attributable to the cover period before 1 May 2025 is subject to VAT at 15%, whereas the MDP attributable to the cover period from 1 May 2025 is subject to VAT at 15,5%.</p>
45	Reinsurance	Excess of Loss adjustment accounts are only calculated after the contract period, for example 1 July 2024 to 30 June 2025 and will therefore fall into the period after 1 May 2025. Does the VAT amount need to be apportioned based on the period of the contract?	<p>The excess of loss adjustment payment is a top-up premium payment made to reinsurers. Where the top-up premium payment is made for the cover period prior to 1 May 2025, the premium is subject to VAT at 15%. Where the top-up premium payment is made for the cover period on or after 1 May 2025, the premium is subject to VAT at 15,5%.</p>
46	Reinsurance	Facultative Premiums - The cover period is 1 May 2024 to 30 April 2025. The transaction is raised by the cedent on the policy administration system on 1 April 2025. The premium is paid by the cedent to the reinsurer on 15 May 2025.	<p>The total premium is subject to VAT at 15% as the cover period commenced and ended before 1 May 2025 even though the premium is paid after 1 May 2025.</p>
47	Reinsurance	Facultative Premiums - The cover period is 1 March 2025 to 28 February 2026. The transaction is raised by the cedent on the policy administration system on 1 April 2025. The premium is paid by the cedent to reinsurer on 15 May 2025.	<p>VAT is payable at 15% on the premium attributable to the cover period 1 March 2025 to 30 April 2025 and VAT at 15,5% is payable on the premium attributable to the cover period 1 May 2025 to 28 February 2026.</p>

48	Reinsurance	Facultative Premiums - The cover period is 1 May 2024 to 30 April 2025. The transaction is raised by the cedent on the policy administration system on 5 May 2025. The premium is paid by the cedent to reinsurer on 10 May 2025.	VAT is accounted for at 15% as the cover period commenced before and ended before 1 May 2025.
49	Reinsurance	Facultative Premiums – The cover period is 1 March 2025 to 28 February 2026. The transaction is raised by the cedent on the policy administration system on 20 May 2025. The premium is paid by the cedent to reinsurer on 30 May 2025.	VAT is payable at 15% on the premium attributable to the cover period 1 March 2025 to 30 April 2025 and VAT at 15,5% is payable on the premium attributable to the cover period 1 May 2025 to 28 February 2026.

#158912

INCREASE IN VAT RATE - FREQUENTLY ASKED QUESTIONS

The Minister of Finance in his Budget Review, 2025 on 12 March 2025 announced a phased increase in the VAT rate from 15% to 15,5% effective 1 May 2025, and thereafter from 15,5% to 16%, effective 1 April 2026.

The following questions and answers have been compiled to provide guidance in respect of the impact of the change in VAT rate on non-life insurance transactions. These FAQ's have been prepared in accordance with the Value Added Tax Act, No 89 of 1991 ('the VAT Act'), non-life-insurance specific SARS Binding General Rulings (BGR 14, BGR 32 and BGR 37), regulatory requirements and the common approach to the increase in the VAT rate to be applied across the non-life insurance industry.

Please refer to the SAIA websites at www.saia.co.za or contact your Insurance Broker / Insurer for future updates of these FAQ's and further information.

FAQ	TOPIC	QUESTION	ANSWER																		
1	Premium	Does the increase in the VAT rate apply to non-life insurance premiums and will premiums increase accordingly?	<p>Yes, the VAT Act requires the insurer to pay output VAT to SARS at the new rate of 15,5% and section 67 of the VAT Act allows the insurer to increase premiums to collect the additional amount due to SARS as a result of the VAT rate increase from the insured.</p> <p>Example:</p> <p>A monthly premium of R115 charged in April 2025 will automatically increase to R115,50 in May 2025 regardless of the premium reflected on the policy schedule, renewal documentation and / or quote see FAQ23.</p>																		
2	Premium	Does the increase in the VAT rate apply to other charges and fees in relation to my insurance such as value-added services / product charges and broker fees?	Yes, such charges and fees will increase in the same way as for insurance premiums. Also refer to FAQ 3 & FAQ 4.																		
3	Premium	Will the increase to my insurance premium and other charges all happen in May 2025?	In principle yes it should, but where insurers, intermediaries and providers of value added services / products have administrative difficulties in implementing the VAT rate change from 1 May 2025 they could only increase their premiums or charges in a later period. However, they remain liable to account to SARS for VAT at 15,5% with effect from 1 May 2025 irrespective of whether they have increased their premiums or charges.																		
4	Premium	How do I calculate my premium and any other charges and fees subject to VAT at the new rate where my policy schedule, renewal documentation and / or quote reflects VAT at 15%?	<p>Whilst your insurance premium is the main part of the cost of your insurance arrangements there may be other parts too, such as SASRIA premium (for political unrest), value added service / product charges and broker fees. The total of these is payable for all your insurance arrangements.</p> <p>As mentioned under FAQ 3 the cost of all these components should increase with effect from 1 May 2025 as a result of the increased VAT rate. If they increase for May 2025 then (for monthly paid premiums) the total amount which was paid in April 2025 inclusive of VAT at 15% can be divided by 115 and multiplied by 115,5 to determine the amount to be paid in May 2025.</p> <p>However, where some components do not increase in May 2025 due to administrative difficulties there may be slight differences. Your insurer or broker can inform you about this in relation to your own insurance arrangements.</p> <p>The following example assumes that the non-life insurance premium and the broker fee increase but not the SASRIA premium or the value added product charges (that may only be increased in a later month).</p> <table><tr><td></td><td>April</td><td>May</td></tr><tr><td>Insurer premium</td><td>R1 150,00</td><td>R1 155,00</td></tr><tr><td>SASRIA premium</td><td>R10,00</td><td>10,00</td></tr><tr><td>VAP charges</td><td>R20,00</td><td>20,00</td></tr><tr><td>Broker fees</td><td>R50,00</td><td>50,22</td></tr><tr><td>Total amount payable</td><td>R1 230,00</td><td>R1 235,22</td></tr></table> <p>Note if all components increase the Total amount payable would be $R1\ 230 \times 115,5 / 115 = R1\ 235,35$</p>		April	May	Insurer premium	R1 150,00	R1 155,00	SASRIA premium	R10,00	10,00	VAP charges	R20,00	20,00	Broker fees	R50,00	50,22	Total amount payable	R1 230,00	R1 235,22
	April	May																			
Insurer premium	R1 150,00	R1 155,00																			
SASRIA premium	R10,00	10,00																			
VAP charges	R20,00	20,00																			
Broker fees	R50,00	50,22																			
Total amount payable	R1 230,00	R1 235,22																			

FAQ	TOPIC	QUESTION	ANSWER
5	Premium	What is the general rule to determine which VAT rate is applicable to my premium?	General principles (but see FAQ's 6 - 9 below for detailed examples) 1. Premium paid before 1 May 2025 for cover period which ends before 1 May 2025 is subject to VAT at 15% 2. Premium paid before 1 May 2025 for cover period on or after 1 May 2025 is subject to VAT at 15% 3. Premium paid on or after 1 May 2025 for cover period before 1 May 2025 is subject to VAT at 15% 4. Premium paid on or after 1 May 2025 for cover period on or after 1 May 2025 is subject to VAT at 15,5%
6	Premium	Which VAT rate applies to annual or fixed term policies for covering before 1 May 2025 and paid before 1 May 2025?	See FAQ 5 Point 1 - VAT at 15% applies Example: The premium for an annual or fixed term policy for cover period 1 January 2025 to 31 December 2025 is paid on 15 January 2025. VAT at the rate of 15% applies to the total premium paid. For an April 2025 new or renewal premium which is paid before 30 April 2025, VAT at the rate of 15% applies.
7	Premium	Which VAT rate applies to annual or fixed term policies for covering inception on or after 1 May 2025 but paid before 1 May 2025?	See FAQ 5 Point 2 - VAT at 15% applies Example: The premium for an annual or fixed term policy for cover period 1 May 2025 to 30 April 2026 is paid on 28 April 2025. VAT at 15% applies provided it is customary for you to pay your premium before commencement of cover date.
8	Premium	Which VAT rate applies to annual or fixed term policies for covering before 1 May 2025 and paid on or after 1 May 2025?	In terms of the VAT transitional rules (section 67A(1)(c)(i) of the VAT Act) VAT at 15% applies to the portion of premium paid on or after 1 May 2025 in respect of cover periods before 1 May 2025 and VAT at 15,5% applies to the portion of the premium paid on or after 1 May 2025 for cover periods on or after 1 May 2025. Example: Annual or fixed term policy for cover period 1 April 2025 to 31 March 2026 is paid on 15 May 2025. VAT at 15% is payable on the portion of the premium which is attributable to the April 2025 cover period, whereas VAT at 15,5% is payable on the portion of the premium which is attributable to the cover period 1 May 2025 to 31 March 2026. Note that if the premium is paid before 1 May 2025, the total premium will attract VAT at 15% per FAQ 7.
9	Premium	Which VAT rate applies to annual or fixed term policies for covering incepting on or after 1 May 2025 and paid on or after 1 May 2025?	See FAQ 5 Point 4 - VAT at 15,5% applies Note that the VAT rate of 15,5% applies regardless of the VAT disclosed on your policy document, renewal documentation and / or quote, refer to FAQ 23. Example: Annual or fixed term policy for cover period 1 May 2025 to 30 April 2026 is paid on 20 May 2025. VAT at the rate of 15,5% will apply regardless of whether the policy documentation reflects VAT payable at 15%.
10	Premium	How will the VAT rate change apply to policies where premiums are paid monthly for monthly periods of cover?	The same VAT rules as set out in FAQ 5 to FAQ 9 above will apply to monthly premiums paid for monthly periods of cover.
11	Premium	How will VAT be applied to a monthly policy that incepts during April 2025 but where the first premium charge on 1 May 2025 includes the cover month of May 2025 and a pro-rata charge for April 2025?	The pro-rata portion of the premium paid for the April 2025 cover period will be subject to VAT at 15% and the portion of the premium paid for the May 2025 cover period will be subject to VAT at 15,5%.
12	Premium	What if a premium debit order for April 2025 at 15% VAT is returned unpaid and is re-presented for payment in May 2025?	See FAQ 5 - Point 3 VAT at 15% applies, because the insurance service was performed (the cover period) before 1 May 2025.
13	Premium	Will debit orders for April 2025 unpaid with VAT at 15% that are re-presented in May 2025 be separate to debit orders for the May 2025 premium at 15,5%?	This is unlikely. The two VAT inclusive premiums are likely to be combined in a single debit order collection. VAT registered insureds will have to refer to policy documentation to calculate the input VAT deduction they are entitled to make. Refer to FAQ 23. Please contact your insurer or insurance broker in need.

14	Premium	How will the rate change apply to policies that provide cover for an annual or fixed term periods (i.e. beyond one month) where the premium is paid monthly?	<p>The standard "time of supply" for such cases is the effective commencement date of cover (whether annual or for a fixed period) at which time the obligation to pay the full premium arises. In cases where the inception of such policies is before 1 May 2025 and the first premium instalment was paid before 1 May 2025, VAT on the entire premium should have been accounted for by the insurer at 15% when such premium payment was received. There is no further VAT consequence on the payment of agreed instalments on and after 1 May 2025 - these being regarded as financial transactions.</p> <p>In some instances these policies contain certain cancellation clauses which effectively means that the obligation to pay does not arise upfront. In these instances the VAT rate applicable will be the same as for monthly policies, refer to FAQ 5.</p>
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FAQ	TOPIC	QUESTION	ANSWER
15	Premium	For annual or fixed term covers in place before 1 May 2025 where the annual premium was paid with VAT at 15% what VAT rate applies to premium refunds where policies are cancelled on and after 1 May 2025 before the end of the cover period?	VAT at 15% applies to all premium refunds where the premium was subject to VAT at 15%.
16	Premium	For an annual cover in place before 1 May 2025 where the annual premium was paid with VAT at 15% what VAT rate applies to premiums in respect of variations in cover where the effective date of the variation is on or after 1 May 2025?	<p>For variations on or after 1 May 2025 requiring an additional premium, VAT at 15,5% applies</p> <p>For variations requiring a partial refund of premium previously paid with VAT at 15%, VAT at the rate of 15% applies.</p>
17	Premium	What VAT rate will apply to extensions in cover periods on policies in force before 1 May 2025 where the original, new or renewal premium was raised including VAT at 15%?	Premiums for such extensions to cover which are effective on or after 1 May 2025 will attract VAT at 15,5%
18	Premium	What rate will apply to marine declarations and other such "true-up" adjustments made in arrears where the cover period commenced before 1 May 2025?	<p>In respect of policies that attract VAT at the zero rate, the premiums in respect of such declarations will continue to attract the zero rate.</p> <p>In respect of policies that attract VAT at the standard rate, the treatment will be in line with any other premium adjustments. Refer FAQ 16 and / or FAQ 8. This means that:</p> <ul style="list-style-type: none"> - for declarations giving rise to an additional premium - the premium for any cover period before 1 May 2025 will attract VAT at 15% and for any cover period on or after 1 May 2025 will attract VAT at 15,5% (see FAQ 8). - for declarations giving rise to a refund premium in respect of an original premium that attracted VAT at 15%, the VAT rate of 15% will apply (see FAQ 16).
19	SASRIA	Will SASRIA premiums be affected?	Yes, SASRIA premiums will be affected in the same way as any other non-life insurance premiums as described herein. However, this may be spread over a few months from 1 May 2025 onwards and the complexity of the VAT rate change to insurer systems. Refer FAQ 3 & FAQ 4
20	No Claim Bonuses and Cash-back bonuses	Which VAT rate will apply to no-claim bonuses and cash-back incentives?	<p>The VAT rate applicable will be dependent on whether the bonus is structured as:</p> <ol style="list-style-type: none"> 1. A repayment of previous premiums paid - the VAT rate applicable to the bonus amount will be that of the underlying premium in respect of which the bonus was earned. Accordingly, where the bonus amount is paid in relation to a premium which was subject to VAT at 15%, the bonus amount will also be subject to VAT at 15%. 2. A discount in respect of future premiums to be paid - the discount will be subject to the VAT rate applicable to the future premiums. If the premium in relation to which the discount relates is subject to VAT at 15,5%, the discount amount will also attract VAT at 15,5%
21	Claims	Will insurers pay claims inclusive of VAT at 15,5% on or after 1 May 2025 irrespective of whether premiums were subject to VAT at 15% or 15,5%?	Yes, indemnity payments made on or after 1 May 2025 will be inclusive of VAT at 15,5% irrespective of the VAT rate which applied to the premiums (refer to FAQs 22, 24, 27 and 28)

22	Claims	Will insurers require my excess to increase?	<p>In principle excesses should increase, because all non-life insurance related amounts, including excesses, are stipulated as being VAT inclusive in the policy documents.</p> <p>An excess is the portion of a loss that the policyholder has agreed to pay themselves. Excesses are generally expressed along with sums insured and other policy limits on a VAT inclusive basis. So if your excess was R10 000 at 15% it should increase to R10 043.48 from 1 May 2025. This represents an actual increase in cost to individuals and entities that are not VAT vendors. Policyholders who are VAT vendors will have an increased input tax credit on such self insured loss amounts where the excess amount is paid as part-payment for the repair or replacement of insured goods, so the VAT exclusive cost for such vendor insured will remain the same.</p> <p>Fixed amount excesses (Example: R2 500) = Unlikely to change</p> <p>Despite what is stated above, in practice most insurers will not require an immediate increase in the amount of fixed amount excesses due to administrative difficulties and insurers will bear the cost of this impact until such time as excesses can be increased.</p> <p>Percentage based excesses (Example: 5% of Claim) = Likely to increase</p> <p>If the claim is settled at a value inclusive of VAT at 15,5% then the VAT inclusive value of the excess increases and the equilibrium between insurer and policyholder share of loss is maintained.</p>
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FAQ	TOPIC	QUESTION	ANSWER
23	Disclosure and documentation	If I am a VAT vendor may I claim input tax at 15,5% even if my policy document states a premium inclusive of VAT at 15%?	<p>Yes, in terms of VAT BGR 14 the policy schedule together with proof of payment constitutes an alternative to a tax invoice if the policy schedule contains certain information. SARS has confirmed that a policy schedule reflecting a premium with VAT at 15% (say R115) together with proof of payment for a premium amount of R115,50 actually paid will be sufficient supporting documentation to claim input tax of R15,50, provided the insured has been informed by way of notice that the rate of 15,5% applies from 1 May 2025.</p> <p>However, policy documents for policies that incept on or after 1 May 2025, including endorsements and renewals, should reflect premiums inclusive of VAT at 15,5%.</p> <p>In this regard a public announcement was made by the industry during April 2025 to ensure that this condition is met. The public announcement is available on www.saia.co.za.</p> <p>Kindly refer to FAQ 59 of the SARS FAQs: Increase in the VAT rate from 1 May 2025 available on www.sars.gov.za for confirmation of this arrangement.</p>

24	Sums insured	How does the increase in VAT rate affect sums insured and other policy limits and sub limits that were set inclusive of VAT at 15% before 1 May 2025?	<p>Sums insured may be notionally increased at claims stage by insurers to ensure that policyholders are not under-insured as a result of the increase in the VAT rate. This will be a transitional arrangement and policyholders will be expected to make the required changes to sums insured at the first annual renewal or annual anniversary date after 1 May 2025 after which the notional increase will discontinue to apply.</p> <p>Example (VAT inclusive amounts):</p> <p>Sum insured per policy schedule issued before 1 May 2025 = R115,000. The sum insured may be increased by your insurer on or after 1 May 2025 to R115,500</p> <p>Any notional increase will not apply to sums insured referenced to a market related or retail value as these will already include VAT at 15,5% on or after 1 May 2025.</p> <p>Note that policyholders should always ensure that their sums insured are sufficient to meet their required cover levels. In doubt contact should be made with your insurer or insurance broker.</p>
25	Disclosure and documentation	Are the increases to premium and sums insured as a result of the VAT rate increase regarded as changes to policy terms and conditions requiring 31 days prior notification to policyholders?	<p>The FSCA has confirmed that the increases in premiums and sums as a result of the VAT rate increase does not require the 31-day notice period.</p> <p>A public announcement was made by the industry during April 2025 to ensure widespread awareness of the impact of an increase in the VAT rate on short-term insurance. The public announcement is available on www.saia.co.za.</p>
26	Fees	How does the change in VAT rate affect fees charged by brokers / intermediaries to their clients?	<p>Fees charged by intermediaries to clients that are dependent on the client taking up the cover and which fees are linked to the payment of premium attract a similar time of supply and transitional rule as for premiums outlined above (see FAQ 5)</p> <p>The time of supply of fees charged by intermediaries to clients that are payable whether or not a premium is paid (i.e. more often charged to larger commercial and corporate clients for risk management services or in lieu of commission from insurers) is the date on which they are invoiced or when payment for the fees is made, whichever date is earlier. Therefore for fees invoiced on and after 1 May 2025, for services performed on or after 1 May will attract VAT at 15,5% and fees invoiced for services performed before 1 May 2025 will attract VAT at 15%.</p>
27	Claims	How does the increased VAT rate affect trade payments made to suppliers in claims settlements?	<p>Supplier invoices will typically be subject to VAT at 15,5% on or after 1 May 2025. However, due to the application of the transitional rules there could be invoices issued on or after 1 May 2025 subject to VAT at 15% if the services were performed before 1 May 2025. The insurer and insured will only be entitled to deduct input tax for the amount of VAT reflected on the supplier invoice.</p>
28	Claims	How does the increase in VAT rate affect claims payments to policyholders made in claims settlements i.e. indemnity payments?	<p>Claims payments made by insurers on or after 1 May 2025 will give rise to an input credit under section 16(3)(c) of the VAT Act at 15,5%, with the result that insurers will be able to make VAT inclusive claims payments at the increased VAT rate of 15,5% without the VAT exclusive claim cost for the insurer increasing.</p> <p>Insureds who are VAT vendors receiving claims payments on or after 1 May 2025 will need to account for VAT under section 8(8) of the VAT Act at 15,5%. Insurers should amend claims settlement notifications to policyholders accordingly.</p>

FAQ	TOPIC	QUESTION	ANSWER
29	Claims	How does the increase in VAT rate affect third-party payments made by insurers to such third parties where the insured is a VAT vendor?	<p>A third party for the purposes of this FAQ is a party having suffered damages caused by the policyholder and to whom the policyholder's insurer needs to make a damages payment under the policy.</p> <p>The payment to the third party must be based on the third party's actual loss (per the standard policy for third party settlements). For example, where a third party is a non VAT vendor who had a vehicle repaired, invoiced and paid before 1 May 2025 at 15% VAT; the third party payment will be for that amount (VAT inclusive at 15%). Where the third party is a VAT vendor the third party payment will be for the VAT exclusive amount.</p> <p>Where payments are made directly to third parties and where the insured is a VAT vendor, the amount paid to the vendor insured to provide for the insured's output tax liability under section 8(8) of the VAT Act, should be at 15,5% for payments made on or after 1 May 2025.</p>
30	Claims	How does the increase in the VAT rate affect recoveries from third parties?	<p>A "third-party" for the purposes of this FAQ is any party or insurer of that party responsible for the loss or part of the loss incurred by the policyholder.</p> <p>Recoveries from third parties are not subject to VAT so there is no effect to the insurer or the insured. If an insurer undertakes a recovery of an excess paid by an insured who is not a VAT vendor then it must be at the same rate of VAT incurred by the insured.</p>
31	Salvage	How does the increase in VAT rate affect salvage sales by or on behalf of insurers?	<p>Salvage sales are subject to VAT in the same way as any other supply of goods. Insurers are required to issue a tax invoice at the time of sale and if this is on or after 1 May 2025, VAT at the rate of 15,5% will apply.</p>