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VAT Deregistration of Schools

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NOTICE TO:

Department of Education Public Schools and Schools Registered as Independent (private) Schools through Provincial Education Departments

VALUE-ADDED TAX (VAT): DEREGISTRATION OF SCHOOLS

Following the amendment to the Value-Added Tax Act, 1991 ("the VAT Act") in terms of which supplies by a school are exempt from VAT — except welfare activities carried on by a school that is a "welfare organisation" as defined in the VAT Act — schools must cancel their VAT registration.

The South African Revenue Service (SARS) informs schools registered under the Schools Act, 1996 ("the Schools Act"), of:

- VAT implications arising from the change in the VAT treatment of supplies made from 1 January 2026;
- The steps required to cancel the VAT registration;
- The calculation and disclosure of exit-VAT;
- Payment arrangements;
- Corrections to VAT returns; and

- The information available on the SARS website.

From 1 January 2026, supplies by a school are exempt from VAT, except welfare activities carried on by a school that is a "welfare organisation" as defined in the VAT Act. Most schools registered under the Schools Act, therefore no longer carry on an enterprise for VAT purposes.

To apply to cancel its VAT registration, the school must complete the form titled "Cancellation of Registration of a Person in Respect of All His Enterprises" (VAT123e), available on the SARS website, and submit it to SARS. A school may apply for payment arrangements of any exit-VAT that is payable. The school must submit any payment-arrangement request together with the VAT123e form to SARS. The school's VAT registration will be cancelled only once the exit-VAT has been declared and paid in full.

If a school wants to remain registered for welfare activities, it must apply for a ruling from SARS. Refer to the "VAT Rulings Process Reference Guide" on the SARS website under Legal Counsel » Legal Counsel Publications » Find a Guide » Value-Added Tax.

For the deregistration application, the school must state the reason in Section A of the VAT123e form as: "All enterprise activities have ceased on 31 December 2025".

In Section B of the VAT123e form, the school must disclose the difference between the total value of business assets held on 31 December 2025, and the amount of any adjustment where input tax was partly claimed.

The school must calculate exit-VAT on business assets held on 31 December 2025 for which input tax was claimed, based on the lower of cost or open market value. If only part of the VAT was previously claimed, the exit-VAT may be reduced by the portion not deducted, if supporting documents are held. The net VAT amount must be converted to a value by multiplying it by 100/15 and the school must disclose it on the VAT123e form.

The school must email the completed VAT123e form to contactus@sars.gov.za with the subject line: VAT deregistration — Schools. Alternatively, the school may book an

appointment on the SARS website and select Reason category "Other" and Reason appointment "VAT and PAYE registration/deregistration".

The school may pay the exit-VAT in 12 equal monthly instalments from 1 January 2027, or over a longer period approved by SARS. No penalty or interest is payable if the school adheres to the approved arrangement. An example of a payment-arrangement request may be found in the "VAT Reference Guide – Schools Exiting the VAT System".

If the school's VAT returns included output tax charged, input tax, or other deductions for transactions from 1 January 2026, the school must:

- Issue credit notes for the VAT charged and disclose them in the tax period issued. SARS will refund the VAT only if there is proof that the VAT was repaid to the recipient.
- Submit a Request for Correction (RFC) if input tax or other deductions were claimed. See SARS website: Individuals » What if I do not agree? » Request for Corrections.

The school must submit an RFC, for the tax period in which December 2025 falls, to disclose the net exit-VAT amount in field 1A of the relevant VAT201 return. The school may request remission of penalties and interest, where applicable.

Input tax that was incurred by a school before 31 December 2025, but that was not deducted, may be claimed in VAT201 returns up to November 2026, if supporting documents are held. A school may not claim input tax on acquisitions made from 1 January 2026.Further guidance is available on the SARS website:

- VAT Reference Guide – Schools Exiting the VAT System
- Schools Exiting the VAT System: Frequently Asked Questions

THE SOUTH AFRICAN REVENUE SERVICE
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