

When does the purchaser have to pay VAT to the seller on the sale of property?

If the seller is registered for VAT, the transaction will be a VAT transaction. If it is not zero-rated, the seller will have to pay 15% VAT on the purchase price to the Receiver. If the contract does not specifically stipulate that the purchaser has to pay VAT over and above the purchase price, the seller will not be able to claim the VAT from the purchaser. It is, therefore, important to ensure that this aspect is properly negotiated between the parties and stipulated in the agreement. Failure to do so, might mean that the seller gets 15% less as his duty to pay the VAT to the Receiver is independent of any obligation the contract places on the purchaser to pay the VAT to the seller.