

28 February 2019

Circular 492

TO ALL SASRIA AGENTS, INTERMEDIARIES AND THEIR EXTERNAL AUDITORS
VAT QUESTIONNAIRE AND AGREED UPON PROCEDURES

Dear All,

This circular references to the following circulars:

- 485 – relating to the audit of Agent and Intermediary premiums for the half year ending 30 September 2018 and
- 483 - relating to the increase in VAT rates from 14% to 15%,
- 489 – VAT Review

Following the budget speech announcement by the Minister of Finance, to increase VAT by 1% (from 14% to 15%), the short-term insurance industry has had some issues in implementing the 1% increase.

It is in this regard, that we require all agents and intermediaries the completion of a Sasria VAT questionnaire (Annexure A) and where applicable to all agents or intermediaries with **annual** Sasria premiums equal or above R20 million, the following VAT agreed upon procedure need to be performed additional to your half year / annual audit reports, for the period ending 31 March 2019:

Sasria Agreed upon procedures (VAT rate change)

Sasria VAT Questionnaire:

1. Obtain the signed response by senior management of the Sasria VAT questionnaire (Annexure A) of the (Insurance Company)

Sum insured inclusive/exclusive of VAT:

2. In respect of the (Insurance Company) response to the Sasria's VAT questionnaire (Annexure A) select the same sample of policies/coupons tested for the Schedule of Collection and Remission of Premiums for the twelve months ended 31 March 2019 and inspect whether the VAT rate has increased/decreased or has been left the same for the sum insured and record the date.

Sum insured increased, decreased or unchanged with reference to 1% increase in VAT rate:

3. For the same sample of policies/coupons tested for the Schedule of Collection and Remission of Premiums ("the Schedule") of the Company for the twelve months ended 31 March 2019, determine whether (Insurance Company) has:
 - a. updated the sum insured on the policies/coupons to reflect the 1% increase in the VAT rate; or
 - b. updated the sum insured on the policies/coupons to reflect the 1% decrease in the VAT rate; or
 - c. not updated the sum insured on the policies/coupons to reflect the 1% increase in the VAT rate.
 - d. determined from the sample the date of such change, if any, as presented by senior management in the Sasria VAT questionnaire.(Annexure A)
4. For the same sample of policies/coupons tested for the Schedule of the Company for the twelve months ended 31 March 2019, determine whether the sum insured is inclusive or exclusive of VAT;

Sasria dispensation:

5. Enquire from management personnel responsible for the preparation and submission of the Schedule, and corroborate through inspection of written communication to SASRIA whether dispensation was obtained from SASRIA to delay the VAT rate increase.
6. Where dispensation was obtained from SASRIA, inspect the dispensation to determine the period of the dispensation approved by SASRIA;

New Sasria rate implementation:

7. Enquire from management personnel responsible for the preparation and submission of the Schedule, the date on which they have applied the new SASRIA rates, as per Circular 483 dated 29 March 2018; and
 - a. Inspect the sample to confirm whether the 'new' Sasria rates, per Circular 483 dated 29 March 2018 have been implemented as indicated by management in the Sasria VAT questionnaire (Annexure A);
8. Recalculate the VAT inclusive premiums for the same sample of policies/coupons tested for the Schedule of the Company for the twelve months ended 31 March 2019.

The above questionnaire and agreed upon procedure to be submitted to Sasria by the 31st May 2019.

Bajabulile Luthuli
Finance Director

Annexure A Sasria VAT Questionnaire

Sum insured	
With reference to the VAT rate increase of 1%, did the sum insured:	
Increase	
Decrease	
Remain unchanged	
<i>Please pick the appropriate answer from the above</i>	
Where the sum insured has been increased as a result of the VAT rate increase, please provide the date of such increase	
Is the sum insured inclusive or exclusive of VAT?	
Sasria premium	
Has the 'new' Sasria rates been implemented, as communicated per Circular 483, dated 29 March 2018	
If 'yes' to the above question, from which date?	
If 'no' to the above question, please provide a reason as to why not.	
Sasria dispensation	
Did you receive a dispensation to delay implementation of the 'new' Sasria rates from Sasria?	
If 'yes' to the above, please provide the agreed upon date for such dispensation	

Title:

Date:

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