

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?	<p>Yes, such charges and fees will increase in the same way as for insurance premiums. Also refer to FAQ 3 & FAQ 4.</p>
3	Premium	Will the increase to my insurance premium and other charges all happen in May 2025?	<p>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.</p>

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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 border="0"> <thead> <tr> <th></th> <th>April</th> <th>May</th> </tr> </thead> <tbody> <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> </tbody> </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																			
5	Premium	What is the general rule to determine which VAT rate is applicable to my premium?	<p>General principles (but see FAQ's 6 - 9 below for detailed examples)</p> <ol style="list-style-type: none"> 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?	<p>See FAQ 5 Point 1 - VAT at 15% applies</p> <p>Example:</p> <p>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.</p>																		

FAQ	TOPIC	QUESTION	ANSWER
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 cover 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.

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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>
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%

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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?	<p>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</p>
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%?	<p>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)</p>

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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>
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>

FAQ	TOPIC	QUESTION	ANSWER
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>

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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>
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>