

## VAT Adjustment FAQs

### 1. **Why are VAT adjustments done?**

The Minister of Finance announced in the Budget Speech on 21 February 2018 that the VAT rate will increase from 14% to 15% with effect from 1 April 2018. It is compulsory for all VAT registered vendors to comply with this change in VAT legislation.

### 2. **Will my monthly contract costs increase with the VAT adjustment?**

Yes, due to the VAT being charged at 15%, your total deal / contract costs will increase accordingly.

### 3. **Will my subscription costs increase with more (or less) than an additional 1% in VAT?**

Yes, in certain cases Telkom had to increase subscription costs and other charges by more (less) than 1% VAT to have rounded-off tariffs applicable to certain products. On average, an additional 1% VAT was applied to all mobile products. Examples of product include:

- FreeMe Packages and associated FreeMe Boost Bundles
- SmartBroadband Wireless, SmartBroadband Wireless LTE-A and SmartInternet Packages
- Ad-hoc and Recurring Voice, SMS and Data Bundles (including “all-net” and LTE/LTE-A Once-Off Bundles).

### 4. **Will “Out of Bundle” rates be impacted by 1% increase in VAT?**

To limit the impact on out of bundle (OoB) rates, Telkom Mobile decided to leave SMS and MMS rates the same. All OoB voice calls and OoB data usage were adjusted accordingly (e.g. On FreeMe packages, OoB voice call rates was increased from R0.69 to R0.70 per minute (billed on a per second basis) and OoB data rate was increased from R0.29 to R0.30 per MegaByte).

### 5. **What will the impact be of the 1% increase in VAT on current deals advertised?**

Services rendered to customers until 31 March 2018, will be billed at the 14% VAT rate. Services rendered thereafter (1 April 2018) will be billed at 15% VAT. Some deals currently advertised will differ slightly based on the additional 1% increase in VAT.

### 6. **What will the rate be for Voice Calls on Data plans (including SmartInternet, Smartbroadband Wireless, SmartBroadband Wireless LTE-A)?**

The tariff for Voice calls on Data plans is also subject to the VAT increase and will be amended to R2.77 per minute (per second billing basis). Calls to emergency service (10111, 10177 and 112) and the (081 180) will remain at no charge.

**7. *How will customers be informed about the products and services adjustments due to VAT increase of 15%?***

Customers will be notified via SMS as well as Invoice Alerts prior to the effective date.

**8. *How will bundles purchased prior to VAT increase be impacted?***

Purchases made before or on 31 March 2018, will be billed at the 14% VAT rate. Purchases made thereafter (1 April 2018) will be billed at 15% VAT. Specific pricing will also be applicable to all once-off and recurring bundles due to the VAT increase from 1 April 2018.