



CIRCULAR

From: Director: Research Finance Director: RC&I	To: Faculty Finance Managers All Principal Investigators, Research Project Managers, and Administrative Staff
Subject: Determination of student involvement for VAT (Value-Added Tax) purposes	

20 October 2025

1. Context

When engaging in research projects, the university needs to ensure that the correct VAT attributes are applied to comply with the SARS VAT Class Ruling for Universities (VCR).

According to the SARS VCR, the extent to which input VAT may be claimed on research-related expenditure depends on whether or not students are involved in the contract research project:

- Where students are involved in the contract research project, Input VAT¹ is limited to 50% of the applicable VAT rate.
- Where no students are involved in the contract research activities, Input VAT may be claimed at 100% of the applicable VAT rate.

This circular serves to inform and guide all relevant stakeholders at the University of Cape Town on the determination of student involvement in contract research projects, particularly where such projects are funded through third-party grants or contracts.

2. Student Involvement per SARS

SARS has not issued a specific definition of what is considered student involvement, but the following scenarios are broadly considered.

- Where the project funds a bursary or where the agreement mentions using students, that is considered student involvement.
- Also seen as student involvement by SARS:
 - data capturing/assisting with administrative tasks, irrespective of whether the activities contribute to their degree and irrespective of whether they are remunerated.
 - whether the work relates to the student's field of study or whether the student is remunerated are *not* valid considerations when assessing student involvement.

3. Student Involvement at UCT

UCT recognises that:

- The core of the University's business is teaching and learning;
- Valuable research input is frequently derived from activities involving students;

¹ "Input VAT" is the VAT that UCT pays on purchases and "Output VAT" is the VAT that UCT charges contract partners for research work done or services provided.



- Research outputs are often fed back into the academic environment, thus benefiting teaching and learning directly or indirectly.

Given these interdependencies, it is clear that students are almost always directly or indirectly involved in research activities undertaken by the university.

As a result of this institutional reality:

- **The default classification for all contract research projects is that there is student involvement.**
- **Therefore, input VAT should be at only 50% of the applicable VAT rate, as per the SARS VCR.**

Exceptions to this default treatment may be considered in the following cases:

- Where the PI provides a clear and documented motivation that no students will be involved in the project, either directly or indirectly; or
- Where the third-party funding agreement explicitly states that there will be no student involvement.

Such exceptions must be confirmed by the Faculty Finance Office prior to the SAP fund opening.

With only 50% Input VAT claimable back from SARS, when calculating budget it is important that the PI and Faculty Finance ensure to include 50% of the VAT amount in the budget of all qualifying costs as this expense will need to be borne by the project funding.

We appreciate your cooperation in ensuring consistency in our processes, compliance with the VAT regulations, and maintaining the integrity of our research activities.

Issued by:

Director: Research Finance

Director: Research Contract and Innovation