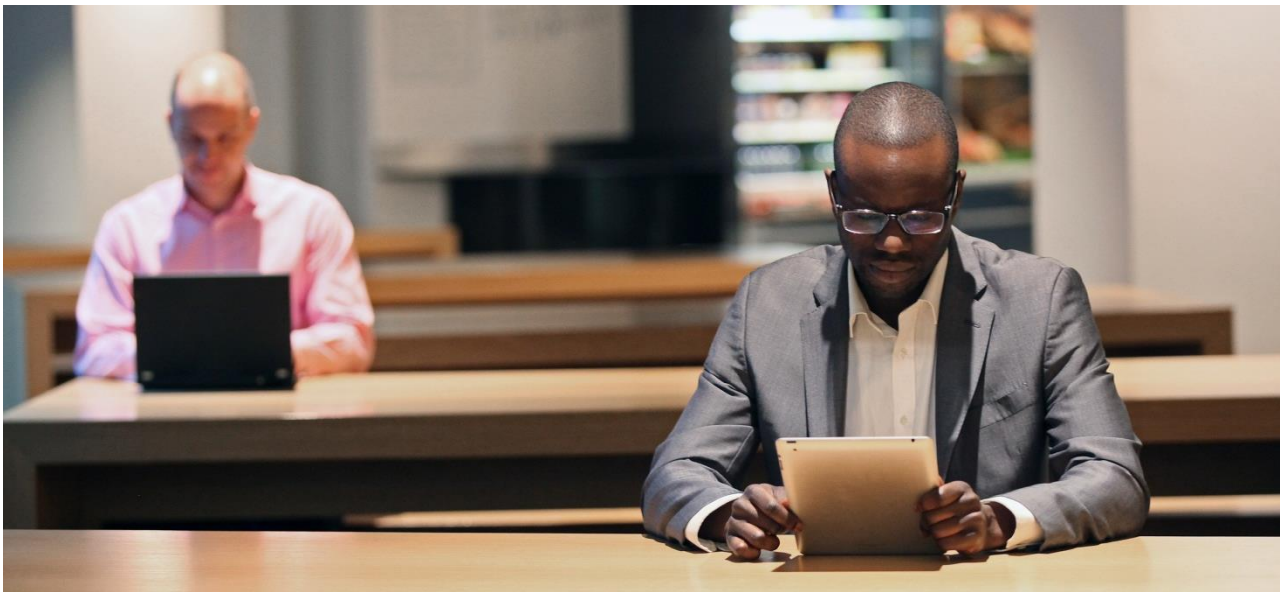


VAT Alert

31 January 2014

Electronic services –VAT registration implications

In line with the new legislation, set to take effect on 1 April 2014, electronic services supplied by a business outside South Africa to a recipient in South Africa will require the supplier of such services to register for Value-Added Tax (VAT).



The Taxation Laws Amendment Act amended the definition of ‘enterprise’ in the VAT Act to now include the supply of ‘electronic services’ by a person from a place outside South Africa to a recipient, where that recipient is a resident of South Africa, or where any payment originates from a bank registered or authorised in terms of South African law.

Accordingly, international suppliers that provide electronic services, which are available to South Africa, will be required to register as a VAT vendor where their turnover in South Africa exceeds or has already exceeded the annual threshold of R50 000 (approximately US\$4 500).

The draft regulations prescribing which electronic services will be included within the ambit of the legislation have been issued.

The following services are ‘electronic services’ for the purposes of the VAT Act, where such services are supplied by means of any electronic agent, electronic communication or the internet for consideration:

- Educational services including distance and web-based learning, where the supplier of the educational services is not regulated by an educational authority in the export country;

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- Internet based gaming, including interactive and multiplayer role-player gaming;
- Certain electronic betting and wagering;
- Information system services which includes the provision of connections, operation of facilities for information systems, provision of access to information systems, the transmission or routing of data messages between or among points, and the processing and storage of data;
- Maintenance Services including the administration, maintenance and technical support of databases, websites and information systems;
- Miscellaneous services including the supply of e-books, films, images, music and software;

- Subscription services including blogs, databases, journals, magazines, newspapers, editorials, web-apps, social networking services.

The ambit of these 'electronic services' is wide and does not draw a distinction between Business-to-Business and Business-to-Consumer supplies.

Foreign business will need to determine the impact of these changes on their already established businesses in an already established online market.

Submissions regarding the draft regulations may be made before 20 February 2014.

Details' regarding the registration as a VAT vendor, of these suppliers, is not yet available.

Any business affected by these regulations should contact our tax specialists.

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