

Significant changes to e-Commerce tax requirements not expected in 2014 Budget, says Deloitte.

Johannesburg, 22 January 2014 - Although the application of VAT to e-Commerce transactions is receiving increasing attention from the National Treasury, it is unlikely that significant changes within this sector will be announced when the 2014 Budget is unveiled in February, says professional services firm Deloitte.

The emphasis on the collection of VAT for electronic services provided to South Africans by foreign Internet suppliers is already one of the focuses of the Davis Committee, headed by Judge Dennis Davis, which has been charged with assessing tax policy frameworks and potential changes and improvements to the South African tax system”, says Dr Anne Bardopoulos, VAT Manager at Deloitte.

Immediate changes to facilitate efficient application of current e-Commerce provisions, which take effect on 1 April 2014, may be necessary however, these changes will concentrate how foreign suppliers will determine whether the supply of e-Commerce services is subject to South African VAT. Allied to this will be procedures regarding the registration process, the listing of prices on websites, recording keeping and other ‘housekeeping’ requirements.”

However, it is just as likely that administrative issues relating to recent e-Commerce amendments such as quoting prices on the Internet and invoicing will be addressed in further Draft Taxation Laws Amendments Bills rather than the 2014 Budget Speech.”

The focus on recouping VAT income for foreign electronic services to South African e-Commerce users came to the fore in the 2013 Budget Speech when the Minister of Finance announced that electronically supplied services by foreign suppliers would be reviewed, and they would be required to register for VAT in SA.

The Taxation Laws Amendments Act, 2013, promulgated on 12 December 2013, provided that electronic services would constitute services as listed in a regulation published by the Minister. This regulation has yet to be published and explanations of what will be subjected to VAT is still awaited,” says Bardopoulos.

However it is expected that, at the very least, measures aimed at downloaded software, movies, music, games and online gaming, will be impacted on,” adds Bardopoulos.

The regulation would assist by helping to eliminate some misunderstandings regarding the new amendments.

There is, furthermore, a general misconception is that the amendments have resulted in the taxation of electronically supplied services that were not previously subject to VAT.

These transactions were always subject to VAT in terms of the ‘reverse charge mechanism’, but were subject to an R100 per transaction exemption.”

South African recipients have always been obliged to account for 14% VAT on electronic services from foreign suppliers where the value of the transaction was more than R100.”

However, there was no practical way of enforcing this VAT collection and consumers were largely oblivious of this requirement. Therefore, the amendments were introduced in order to shift the obligation of collecting and paying the VAT onto suppliers,” says Bardopoulos.

A further misconception was that the amendments applied to goods ordered from foreign Internet suppliers and delivered to South African recipients.

The reality is that these goods, except those subject to exemptions, have always been liable for Customs duties and VAT payable by the importer. The recent amendments specifically relate to the supply of electronic services and not physical products,” says Bardopoulos.

It can be expected that e-Commerce, and the potential impact that this trade has, and will continue to have, on consumer purchases will be examined by SARS and subject to ongoing tax reform. However, it is unlikely that any significant comments will be made, in this regard, in the 2014 Budget Speech.”

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