



A new tax is born

In South Africa, like many other countries, we are now familiar with value-added tax (VAT) on electronic services, introduced in 2014. The measures aim to tax consumption of services provided electronically from outside South Africa to a South African recipient.

The rules were amended significantly in 2019 and we expect will be further refined in future to cater for this rapidly changing and agile environment. Of particular interest is the interpretation of the group company exclusions and the complexities created by intermediary services.

There is also much debate regarding the extent of human intervention required for a service to fall outside the ambit of that of an electronic service for VAT purposes. Another area worthy of an electronic tweet or two is whether business to business (B2B) transactions as well as business to consumer (B2C) transactions should be governed by the South African electronic services VAT legislation. Some jurisdictions have opted for an election process where the local business in a B2B transaction self-accounts for the VAT on the electronic service it receives.

These are just some of the concepts that have to be analysed when determining whether to levy VAT on transactions that take place in the digital economy.

VAT on electronic services should, however, be distinguished from digital services tax (DST). This tax has been considered by various European countries. Four African countries have thus far communicated some form of direct tax on digital service: Kenya, Nigeria, Tunisia and Zimbabwe.

With the impact of COVID-19 being clearly felt globally and the nature of business changing at much quicker pace than ever before the way in which value chains operate and how value is created has transformed significantly. As can be seen from the above, determining taxing rights can be extremely complex. Tax legislation needs to cater for the pace set by this rapidly changing landscape, which requires significant consensus, collaboration and consideration.



Article written by
Suzanne van der Merwe,
Director: Indirect Tax, Deloitte Africa Tax
& Legal



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