



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

ELECTRONIC SERVICES REGULATION: REQUEST FOR PUBLIC COMMENTS

The National Treasury has published the *Electronic Services Regulations* for public comment.

The publication follows the Minister of Finance' announcement in the 2013 Budget that all foreign businesses supplying e-books, music and other digital services in South Africa will be required to register as Value Added Tax (VAT) vendors.

This announcement was made against the backdrop of efforts, both internationally and locally, to bring cross border e-commerce (specifically the digital economy) into the VAT regime. The current application of VAT on imports does not lend itself to the effective enforcement on imported services or e-commerce where no border posts (or parcel delivery agents, e.g. the Post Office) can perform the function as collecting agents, as is the case with physical goods.

The net result is that the local consumers can buy imported digital products without paying VAT. This outcome not only places local suppliers of digital services at a competitive disadvantage (compared to suppliers from abroad) but also results in a loss of revenue for the fiscus.

The VAT legislation was amended to bring the digital economy more comprehensively into the VAT net and provides for the Minister to issue Regulations prescribing imported services that will be covered by the new electronic services definition in the VAT Act. These imported services will include the supply of e-books, e-music, e-films, software, images, games and games of chance, information system services, internet-based auction services; maintenance services, educational services, and the supply of an internet-based auction service facility.

Comment period

The Electronic Services Regulations is available on the National Treasury website: www.treasury.gov.za and the South African Revenue Service website: www.sars.gov.za.

Written comments should be submitted to Mr. Mpho Legote, email: mpho.legote@treasury.gov.za and SARS, email policycomments@sars.gov.za by the close of business on **20 February 2014**.

Issued by National Treasury

Date: 30 January 2014