

REGULATIONS

# REGULATIONS ON DOMESTIC REVERSE CHARGE MECHANISM RELATING TO VALUABLE METAL



**national treasury**

Department:  
National Treasury  
**REPUBLIC OF SOUTH AFRICA**



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[Applicable Provision: Regulation 2 of the Domestic Reverse Charge Regulations published in the Government Notice 2140 of 8 June 2022]

## **1.1 BACKGROUND**

On 8 June 2022, government gazetted the Regulations on domestic reverse charge relating to valuable metal, issued in terms of section 74(2) of the Value-Added Tax Act, 1991 (Act 89 of 1991) (“the VAT Act”), which was effective from 1 July 2022. The aim of these regulations was to foreclose schemes and malpractices to claim undue VAT refunds from SARS by vendors operating in the value chain relating to high-risk goods containing gold. Government introduced further amendments to the DRC Regulations effective 1 January 2024 and 1 April 2025, respectively, to curb further abuse, as some taxpayers in this space became more creative in their anti-avoidance schemes, and to deal with certain practical difficulties experienced by the affected industries.

## **1.2 REASONS FOR CHANGE**

With effect from 1 January 2024, the term “residue” in regulation 2 of the DRC Regulations is limited to residue derived from or incidental to a mining operation due to concerns that the general inclusion of waste was too broad. In addition, a 1% rule was introduced as the definition of “valuable metal” was also deemed to be too broad in including all gold-bearing goods supplied in the prescribed forms, notwithstanding the gold content. Whilst restricting “residue” to mining operation covers the exclusion of certain waste from, for example, the medical and the electronic industries from the ambit of the DRC Regulations, practical difficulties arise in distinguishing scrap derived from or incidental to a mining operation and other waste items, as gold scrap may be derived from various waste items. It was also proposed that the 1% rule was sufficient to exclude incidental supplies by, for example, the medical and electronic industries. However, it came to Government’s attention that the 1% rule created the opportunity to obtain undue VAT refunds from SARS as certain supplies of valuable metal are excluded from the ambit of the DRC Regulations, for example, unprocessed minerals containing gold, such as tailings and waste rock.

## **1.3 PROPOSAL**

Based on the above, it is proposed that the regulations be amended to address these issues.

## **1.4 EFFECTIVE DATE**

The proposed amendment will come into operation on 1 April 2026.