

## DRAFT BINDING GENERAL RULING (VAT)

DATE:

**ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991**  
**SECTION : SECTIONS 20 AND 65**  
**SUBJECT : ELECTRONIC SERVICES**

### *Preamble*

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act No. 28 of 2011;
- “**electronic services recipient**” means a recipient of electronic services that –
  - is a resident of the Republic; or
  - effects payment for electronic services from a bank registered or authorised under the Banks Act No. 94 of 1990;
- “**electronic services supplier**” means the supplier of electronic services supplied in the course or furtherance of an enterprise contemplated in paragraph (b)(vi) of the definition of an “enterprise” in section 1(1);
- “**section**” means a section of the VAT Act;
- “**VAT Act**” means the Value-Added Tax Act No. 89 of 1991; and
- any word or expression bears the meaning ascribed to it in the VAT Act.

### **1. Purpose**

This BGR sets out the –

- information that must be contained in a document in order for that document to qualify as a tax invoice; and
- manner in which prices must be advertised or quoted,

for the supply of electronic services by an electronic services supplier.

### **2. Ruling**

This ruling constitutes a BGR insofar as it relates to the items listed in **2.1** to **2.3** below.

## 2.1 Tax invoices

The Commissioner directs under section 20(7)(b), that the document required to be issued under section 20(5B) for a supply of electronic services by an electronic services supplier must contain the following information:

- The name, address and value-added tax (VAT) registration number of the supplier.
- An individual number with a distinct indicator for a supply made to an electronic services recipient (for example, ZAR).
- A description of the electronic services supplied.
- The consideration in money for the supply in the currency of any country.
- If the consideration is reflected in the currency of –
  - South Africa, the amount of the tax charged or a statement that it includes a charge for the tax and the rate at which the tax was charged; or
  - any country other than South Africa, the amount of the tax charged in the currency of South Africa or a separate document issued by the electronic services supplier to the electronic services recipient reflecting the amount of the tax charged in the currency of South Africa.

The document(s) containing the aforementioned information is a “tax invoice” as defined and therefore satisfies the requirements of section 16(2)(a).

## 2.2 Value of supply

A vendor issuing a tax invoice contemplated in 2.1 reflecting the consideration in money in the currency of any country other than South Africa must convert the tax charged to the currency of South Africa. In this regard, the exchange rate that must be applied in order to determine the value of the electronic services supplied, is the rate published by –

- Bloomberg  
[www.bloomberg.com/markets/currencies/cross-rates](http://www.bloomberg.com/markets/currencies/cross-rates); or
- European Central Bank  
[www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html](http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html).

The applicable exchange rate is the rate on the date the time of supply occurs, which is generally the earlier of an invoice being issued or payment being received.

## 2.3 Advertised or quoted prices

An electronic services supplier may advertise or quote the price of its electronic services exclusive of VAT) on condition that it has a statement on its website indicating that VAT will be levied on supplies of electronic services to electronic services recipients.

**3. Period for which this ruling is valid**

This ruling will be applicable from date of issue of the final BGR and will, insofar as it relates to –

- **2.1** and **2.2**, apply for an indefinite period; and
- **2.3**, apply until 31 March 2015.

To the extent that this BGR does not provide for a specific scenario regarding the supply of electronic services, a person may apply for a VAT ruling or VAT class ruling in writing by sending an e-mail to **VATRulings@sars.gov.za** or by facsimile to 086 540 9390. This application should consist of a completed VAT301 form, a clearly motivated application and must comply with the provisions of section 79 of the Tax Administration Act, 2011 excluding section 79(4)(f), (k) and (6).

**Group Executive: Interpretation and Rulings**  
**Legal and Policy Division**  
**SOUTH AFRICAN REVENUE SERVICE**