

**VAT RULING: VR 009**

DATE: 28 March 2025

**ACT : VALUE-ADDED TAX ACT, 1991 (the VAT Act)**  
**SECTION : SECTION 11(2)(g)(i) and 11(3)**  
**SUBJECT : APPLICATION OF THE ZERO RATE TO THE SERVICES SUPPLIED DIRECTLY IN RESPECT OF INVESTMENTS LOCATED OUTSIDE THE REPUBLIC OF SOUTH AFRICA AND NOT LISTED ON A SOUTH AFRICAN STOCK EXCHANGE**

***Preamble***

This VAT ruling is published with the consent of the Applicant(s) to which it has been issued and is binding only upon SARS and applies only to the Applicant and any Co-applicant(s). This ruling is published for general information and does not constitute a practice generally prevailing.

**1. Summary**

The Applicant supplies administration and management services to customers (the clients) based in the Republic directly in respect of investments located outside of the Republic. The zero rate of VAT, under section 1(2)(g)(i) of the VAT Act, applies to the services supplied to the clients if the investments are not listed on South African Stock Exchange.

**2. Relevant tax laws**

In this ruling, references to sections are to sections of the VAT Act applicable as at the date of the ruling of which this is the sanitised version. Unless the context indicates otherwise, any word or expression in this ruling bears the meaning ascribed to it in the VAT Act.

This is a ruling based on the Commissioner's interpretation of the application of the following sections of the VAT Act:

- Section 11(2)(g)(i)
- Section 11(3)

**3. Parties to the application**

The Applicant: A collective investment scheme service provider and resident of the Republic trading in the financial services industry.

#### **4. Background and facts**

The Applicant is an independent collective investment scheme (CIS) service provider in the Republic and provides own-brand and co-branded CIS portfolios to wealth managers. Wealth managers' clients would procure units in the CIS portfolios, administered and managed by the Applicant, as investments in participatory securities.

The Applicant supplies administrative and management services (the services) directly in respect of the assets of the CIS portfolios, for a consideration in the form of a service fee charged to each individual CIS portfolio (that is, the members and/or trustees of the individual CIS portfolio). The service fee is based on a percentage of the assets under management.

The Applicant and the trustees of the CIS portfolios enter into certain agreements or deeds. The deeds, amongst others, set out the investment policies of the CIS portfolios. The investment policies allow CIS portfolios to invest in offshore and local financial instruments. The investment policies also allow CIS portfolios to invest in financial instruments that are either listed or unlisted on a South African Stock Exchange.

The Applicant is appointed as a discretionary financial services provider by CIS portfolios (represented by their trustees) to supply the services in accordance with the abovementioned investment policies.

#### **5. Conditions and assumptions**

This VAT ruling is subject to the Standard Terms, Conditions, and Assumptions issued by the Commissioner, and the provisions of Chapter 7 of the Tax Administration Act 28 of 2011, excluding sections 79(4)(f), (k), (6) and 81(1)(b).

#### **6. Ruling**

The VAT ruling issued to the Applicant is as follows:

- (a) The Commissioner is of the view that the Applicant may apply the zero rate, under section 11(2)(g)(i) of the VAT Act, to the services supplied in terms of the deeds that govern the applicant's management of CIS portfolio assets located outside the Republic and which are not listed on a South African Exchange.
- (b) The Applicant must, in terms of section 11(3) of the VAT Act, read with Interpretation Note 31,<sup>1</sup> obtain, and retain the relevant documentary proof mentioned below:
  - (i) Tax invoice
  - (ii) Proof of payment

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<sup>1</sup> Interpretation Note 31 (Issue 4) "Documentary Proof Required for the Zero-rating of Goods and Services" dated 09 March 2016.

- (iii) Written confirmation from the recipient (that is, the CIS portfolio represented by its trustees) that the movable property was situated in an export country at the time the services were rendered

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

This VAT ruling applies only in respect of the transaction(s) set out above and is valid from date of issue.

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