

VAT RULING: VR 013

DATE: 30 May 2025

ACT : VALUE-ADDED TAX ACT 89 OF 1991 (the VAT Act)
SECTION : SECTIONS 11(2)(ℓ) AND 41B
SUBJECT : ZERO-RATING OF MEDICAL HEALTH INSURANCE COVER

Preamble

This value-added tax (VAT) ruling is published with the consent of the Applicant to which it has been issued and is binding only upon the South African Revenue Service (SARS) and applies only to the Applicant. This VAT ruling is published for general information. It does not constitute a practice generally prevailing.

1. Summary

This VAT ruling confirms that the premiums charged by the Applicant as consideration for the provision of medical health cover to the employees of foreign employers and the dependents of the employees who are located in a foreign country, in the event of medical emergencies, where the foreign employer contracts with the Applicant as principal, qualify for VAT at the rate of zero per cent in terms of the provisions of section 11(2)(ℓ).

2. Relevant tax laws

In this VAT ruling, all references to sections hereinafter are to sections of the VAT Act unless otherwise stated. Unless the context indicates otherwise any word or expression in this VAT ruling bears the meaning ascribed to it in the VAT Act.

This VAT ruling concerns the interpretation and application of the following provision of the VAT Act:

- Section 11(2)(ℓ)

3. Parties to the application

The Applicant is an insurer and provides short-term insurance cover.

4. Background and facts

The Applicant provides insurance cover in terms of a medical health insurance policy for employees of foreign employers where the employees are employed in foreign countries.

In terms of the policy, the Applicant provides health and medical cover to persons, generally a group of employees of an employer, where the employees are employed and reside outside South Africa. Accordingly, persons who are ordinarily resident outside South Africa and expatriate personnel who provide services on a

contractual basis and who are present in any country other than South Africa may enjoy cover under the policy.

The policy covers the employees and the dependents of the employees (collectively referred to as the “beneficiaries”) in the event of a medical emergency as defined in the policy. In such case the Applicant will cover the cost of emergency evacuation of the beneficiary who suffered the emergency, the cost of treatment of the beneficiary in a medical facility and the cost of repatriation of the beneficiary.

The premiums payable in terms of the direct policies are determined in relation to each beneficiary listed in the policy. The premiums are charged to foreign employer companies in foreign currency and are payable annually in advance.

5. Conditions and assumptions

This VAT ruling is subject to the Standard Terms, Conditions and Assumptions issued by the Commissioner for SARS, 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 binding private ruling issued to the Applicant is as follows:

- (a) The medical health insurance cover provided by the Applicant to the foreign employers may be zero-rated under section 11(2)(l).
- (b) The VAT ruling is subject to –
 - (i) the services being supplied directly to the foreign employer;
 - (ii) the foreign employers not being present in the Republic at the time the services are rendered;
 - (iii) no other person to whom the services are rendered being present in the Republic at the time such services are rendered; and
 - (iv) the Applicant obtaining and retaining the necessary documentary proof required in terms of section 11(3), read with Item M of Interpretation Note 31.¹

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; and valid for a period of five years.

Leveraged Legal Products: Indirect Taxes
SOUTH AFRICAN REVENUE SERVICE

¹ (Issue 4) dated 09 March 2016.