

**BINDING PRIVATE RULING: BPR 363**

DATE: 26 May 2021

**ACT : INCOME TAX ACT 58 OF 1962 (the Act)  
VALUE-ADDED TAX ACT 89 OF 1991 (the VAT Act)**

**SECTION : SECTION 1(1) – PARAGRAPH (i) OF THE DEFINITION OF “GROSS INCOME”, PARAGRAPH 1 OF THE FOURTH SCHEDULE TO THE ACT – DEFINITION OF “REMUNERATION” AND SEVENTH SCHEDULE TO THE ACT – PARAGRAPHS 2(e) AND 10(1)(b) SECTIONS 7, 9(7), 10(13) AND 18(3) OF THE VAT ACT**

**SUBJECT : VALUE OF A SUPPLY OF SERVICES**

***Preamble***

This binding private ruling is published with the consent of the applicant(s) to which it has been issued. It is binding between SARS and the applicant and any co-applicant(s) only and published for general information. It does not constitute a practice generally prevailing.

**1. Summary**

This ruling determines the income tax and value-added tax consequences of the provision of certain services to employees.

**2. Relevant tax laws**

In this ruling references to sections are to sections of the Act and the VAT Act applicable as at 1 April 2021. Unless the context indicates otherwise any word or expression in this ruling bears the meaning ascribed to it in the relevant Act.

This is a ruling on the interpretation and application of –

- the Act –
  - Section 1(1) – paragraph (i) of the definition of “gross income”;
  - Paragraph 1 of the Fourth Schedule to the Act – definition of “remuneration”; and
  - Paragraphs 2(e) and 10(1)(b) of the Seventh Schedule to the Act.
- the VAT Act –
  - Section 7;
  - Section 9(7);
  - Section 10(13); and
  - Section 18(3).

**3. Parties to the proposed transaction**

The applicant: A resident company

Employees: The qualifying employees of the applicant

**4. Description of the proposed transaction**

The applicant is an asset manager.

The “employees” of the applicant will be employed by and/or hold office as executive directors of the applicant.

The employees may from time to time make investments in investment funds managed by the applicant. The applicant will not charge the employees any asset management service fees for the administration of these investments.

**5. Conditions and assumptions**

This binding private ruling is not subject to any additional conditions and assumptions.

**6. Ruling**

The ruling made in connection with the proposed transaction is as follows:

- a) The value of the supply of the asset management services as contemplated in section 10(13) read with section 9(7) of the VAT Act will be the cash equivalent as determined in paragraph 10(1)(b) of the Seventh Schedule to the Act.
- b) The cash equivalent of the asset management services as contemplated in paragraph 10(1)(b) of the Seventh Schedule is the marginal cost of rendering those asset management services to the employees.

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

This binding private ruling is valid for a period of five years from 1 April 2021.