

# Frequently Asked Questions

## Supplies of Electronic Services

Issue 4



### Value-Added Tax

The Minister of Finance published the regulations prescribing electronic services for the purpose of the definition of “electronic services” in section 1(1) of the Value-Added Tax Act 89 of 1991 (the VAT Act). See Government Notice 429 published in *Government Gazette* (GG) 42316 on 18 March 2019 (Updated Regulations). These regulations came into effect from 1 April 2019 and updated the regulations published as Government Notice R.221 in GG 37489 of 28 March 2014 (Original Regulations). In addition, various amendments have been made in the Rates and Monetary Amounts and Amendment of Revenue Laws Act 21 of 2018 in respect of electronic services. These amendments (including those relating to intermediaries) came into effect on 1 April 2019. Subsequently, further amendments have been made to the VAT Act and the Updated Regulations have been amended as per Government Notice 5993 in GG 52293 of 14 March 2025 effective from 1 April 2025 (the 2025 Regulations).

The information in these Frequently Asked Questions (FAQs) is based on the VAT Act and the Tax Administration Act 28 of 2011 (the TA Act) as at the time of publishing and includes the amendments contained in the –

- Taxation Laws Amendment Act 42 of 2024;
- Tax Administration Laws Amendment Act 43 of 2024;
- Rates and Monetary Amounts Amendment Act 45 of 2024;
- Revenue Laws Second Amendment Act 44 of 2024; and
- Revenue Laws Amendment Act 12 of 2024.

But for the Revenue Laws Amendment Act that was promulgated on 4 June 2024 as per GG 50750, all the other Acts were promulgated on 24 December 2024 as per GGs 51826, 51827, 51829, and 51828 respectively. The FAQs in this document have been compiled on the basis of questions that vendors and the public at large are likely to have about the implications of the relevant regulations, and amendments.

The FAQs are drafted purely to assist foreign electronic services suppliers, intermediaries, vendors and the public at large to obtain clarity and to ensure consistency on certain practical and technical aspects relating to the relevant regulations, and amendments. The FAQs are therefore not intended to be used as legal reference. You can find more information about some of the aspects discussed in this document in the *VAT 404 – Guide for Vendors*.

The FAQs may be updated periodically to address questions that may arise, as well as any changes to the relevant legislation. It is not envisaged that VAT Rulings in relation to “electronic services” and the relevant regulations will be issued.

All references to sections are to sections of the VAT Act unless otherwise indicated. For the purposes of these FAQs, the term “foreign electronic services suppliers” or “foreign supplier” refers to suppliers that supply electronic services from a place outside the Republic of South Africa (South Africa or the Republic), unless the context indicates otherwise.

## **FAQs: Supplies of Electronic Services**

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All other FAQs, forms, guides, interpretation notes, notices, and rulings referred to in these FAQs are, unless indicated otherwise, the latest issues available on the **SARS website** or via eFiling at **[www.sarsefiling.co.za](http://www.sarsefiling.co.za)** (guides only).

### **Leveraged Legal Products**

#### **SOUTH AFRICAN REVENUE SERVICE**

2 April 2025

**FAQs: Supplies of Electronic Services**

Question		Answer
1.	What is value-added tax (VAT)?	VAT is an indirect tax based on consumption in the South African economy. VAT is charged by persons that carry on an enterprise in South Africa or whose activities are specifically included in the definition of “enterprise”, on the taxable supplies made by them. Any person that is registered or liable to register for VAT in the Republic is called a “vendor”. Also see <b>Questions 24, 27, 30 and 33</b> .
2.	What is VAT charged on?	VAT is charged on the taxable supply of goods or services (including electronic services) by a vendor, at either the standard or the zero-rate. With effect from 1 April 2018, the standard rate of VAT increased from 14% to 15%. See the <i>Frequently Asked Questions: Increase in the VAT Rate from 1 April 2018</i> . VAT is also payable on the importation of goods, and “imported services”. Certain importations and supplies are exempt from VAT. The supply of electronic services is subject to VAT at the standard rate. See <b>Questions 55 and 56</b> .
3.	What are electronic services?	<p>These are services as prescribed by the Minister in a regulation (referred to in these FAQs as the Original Regulations, the Updated Regulations, and the 2025 Regulations, as the case may be).</p> <p>In simple terms, “electronic services” refers to any service that is supplied remotely by electronic means, for example, via the internet, or other telecommunications service. See <b>Questions 7, 15 and 22</b>. Also see the enterprise test for foreign electronic services suppliers in <b>Question 24</b>.</p>
4.	From which date is the regulation on electronic services become effective?	The Original Regulations came into effect on 1 June 2014. These Regulations have since been updated by the Updated Regulations, which became effective from 1 April 2019, and the 2025 Regulations that came into effect on 1 April 2025.
5.	What was the reason for the Updated Regulations?	The Original Regulations limited the scope of services that qualified as electronic services, and which must be charged with VAT at the standard rate. The intention of the Updated Regulations is to substantially widen the scope of services that qualify as electronic services, so that <b>all services</b> supplied for a consideration (subject to a few exceptions), which are provided by means of an electronic agent, electronic communication or the internet, are electronic services and must be charged with VAT at the standard rate.
6.	Is there a distinction between Business-to-Business (B2B) and Business-to-Consumer (B2C) supplies under the Updated Regulations or the 2025 Regulations?	<p><u>Before 1 April 2025</u></p> <p><b>No</b>, there was no distinction between B2B and B2C supplies under the Updated Regulations. Therefore, B2B supplies were subject to VAT at the standard rate. This outcome was intentional at the time as the South African VAT system did not fully subscribe to the B2B and B2C concepts.</p>

		<p>Refer, however, to certain supplies for a consideration, by means of an electronic agent, electronic communication, or the internet within the same group of companies in <b>Questions 20</b> and <b>21</b>, which are excluded from the ambit of “electronic services”.</p> <p><u>On or after 1 April 2025</u></p> <p>A form of a B2B exclusion has been introduced under the 2025 Regulations. This means that supplies by a foreign supplier that makes supplies <b>only</b> to VAT registered vendors do not fall under paragraph (b)(vi) of the definition of “enterprise” in section 1(1). Such suppliers are therefore not required to register as vendors, unless they make other taxable supplies in carrying on any other enterprise. Also see <b>Questions 7, 13</b> and <b>14</b>.</p> <p>A foreign electronic services supplier<sup>1</sup> that makes supplies to both VAT registered vendors and non-vendors<sup>2</sup> is, however, liable to register and account for VAT on all these supplies. Also see <b>Question 24</b></p> <p>The exclusion of certain supplies made within the same group of companies have been retained. See <b>Questions 20</b> and <b>21</b>.</p>
<p>7.</p>	<p>What are “electronic services” according to the Updated Regulations and the 2025 Regulations, respectively?</p>	<p>The term “electronic services” means any services supplied by a foreign supplier for a consideration by means of –</p> <ul style="list-style-type: none"> <li>• an electronic agent;</li> <li>• an electronic communication; or</li> <li>• the internet</li> </ul> <p>as defined in the Electronic Communications and Transactions Act 25 of 2002 (the ECT Act).</p> <p>The definition does not have regard to the nature of the service, or how the service is created. The words used in the definition are “any service” and not “an electronic service”. The definition therefore is not limited to supplies of what is generally regarded as “digital goods or services”. Instead, the focus is on how the supply is <i>delivered</i>. This is apparent by having regard to the phrases “any services supplied” and “by means of”. Simply put, this means that from 1 April 2019, VAT became payable on any services <i>delivered</i> by electronic means.</p>

<sup>1</sup> In these FAQs, unless the context indicates otherwise, “foreign electronic services supplier” refers to a supplier that supplies “electronic services” as defined in the Regulations and the VAT Act, and meeting the requirements for “enterprise” as discussed in **Question 24**.

<sup>2</sup> Refers to persons that are required to register as vendors, but are not registered, or persons that are not required to register as vendors.

**FAQs: Supplies of Electronic Services**

		<p>For example, if a legal opinion is obtained from a foreign legal specialist and such legal opinion is e-mailed to the person in South Africa, the supply of the legal opinion falls within the ambit of “electronic services” (if none of the other exemptions apply). It also does not matter whether the service is supplied directly by the foreign business or via an “intermediary”, or whether a third party is being contracted for the delivery of the service by electronic means. Also see <b>Questions 22, 47 and 65</b>.</p> <p>Based on the above, neither the Updated Regulations nor the 2025 Regulations, have any regard to whether the supply involves a degree of human intervention. This is reiterated in the Explanatory Memorandum to the 2025 Regulations.</p> <p>The main difference between the definition of “electronic services” in the Updated Regulations and the 2025 Regulations is the exclusion of a foreign business that supplies services solely to VAT registered vendors as explained in <b>Question 6, 13 and 14</b>.</p>
8.	What is an “electronic agent”?	<p>“Electronic agent” means a computer program or an electronic or other automated means used independently to initiate an action or respond to data messages or performances in whole or in part, in an automated transaction.</p>
9.	What does “electronic communication” mean?	<p>“Electronic communication” means a communication by way of data messages.</p>
10.	What are “data messages”?	<p>“Data message” means data generated, sent, received or stored by electronic means and includes –</p> <ul style="list-style-type: none"> <li>• voice, where the voice is used in an automated transaction; and</li> <li>• a stored record.</li> </ul>
11.	What is the meaning of “internet”?	<p>“Internet” means the interconnected system of networks that connects computers around the world using the Transmission Control Protocol Internet Protocol (TCP/IP) and includes future versions thereof.</p>
12.	What does “consideration” mean?	<p>“Consideration” is the VAT-inclusive price that you pay or are required to pay for a supply of goods or services. The amount of consideration is therefore the final amount of money that you need to pay for a supply. If the consideration is not payable in money, then the open market value of the goods or services received in exchange for the supply is the consideration.</p>

<p>13.</p>	<p>What is specifically excluded from the ambit of “electronic services” in the Updated Regulations and the 2025 Regulations, respectively?</p>	<p>Specifically excluded from the Updated Regulations, and the 2025 Regulations are –</p> <ul style="list-style-type: none"> <li>• telecommunications services (see <b>Question 15</b>);</li> <li>• educational services supplied from an export country (a country other than South Africa), which services are regulated by an education authority under the laws of the export country (see <b>Question 16</b>); and</li> <li>• certain supplies of services where the supplier and recipient belong to the same group of companies (see <b>Questions 20 and 21</b>).</li> </ul> <p>Specifically excluded from the 2025 Regulations, (that is, from 1 April 2025), are supplies by foreign suppliers that make such supplies solely to VAT registered vendors. See <b>Questions 6, 7 and 14</b>.</p>
<p>14.</p>	<p>How do I determine that I make supplies solely to VAT registered vendors?</p>	<p>Foreign electronic services suppliers that make supplies only to group companies will generally be able to determine whether this requirement is met. See <b>Questions 6, 7 and 13</b>.</p> <p>Foreign electronic services suppliers that make supplies to third parties would generally be aware of their target markets and whether these are for businesses or private consumers, or for both.</p> <p>Foreign electronic services suppliers that make supplies only to businesses, may request the VAT registration status of such businesses or perform a VAT Vendor Search on the <b>SARS website</b> to determine the VAT registration status of these businesses.</p> <p>Supplies by a foreign electronic services supplier that is unable to determine that it makes supplies only to VAT registered vendors, or that makes supplies to a combination of VAT registered vendors and non-vendors are not excluded from the ambit of “electronic services”. These foreign electronic suppliers are therefore required to register for VAT should the registration threshold be exceeded. See <b>Questions 30, 31 and 33</b>.</p>
<p>15.</p>	<p>What are telecommunications services?</p>	<p>The phrase “telecommunications services” means the transmission, emission or reception, and the transfer, and assignment of the right to use capacity for the transmission, emission, or reception, of signals, writing, images, sounds or information of any kind by wire, cable, radio, optical, or other electromagnetic system, or by a similar technical system, and includes access to global information networks but does not include the content of the telecommunication.</p> <p>Examples are internet access (including access to the World Wide Web), videophone and fixed and mobile telephone services.</p>

**FAQs: Supplies of Electronic Services**

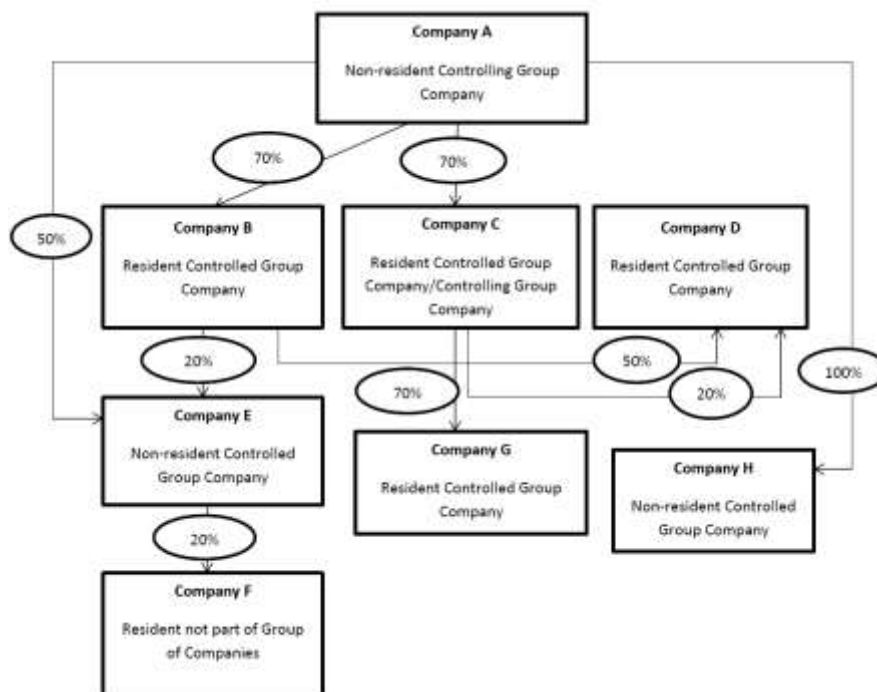
		<p>The term “content” is also defined and means signals, writing, images, sounds, or information of any kind that are transmitted, emitted, or received by a telecommunications service.</p> <p>Therefore, “telecommunications services” do not include the electronic or digital content (including broadcasting content) that is transmitted by way of the telecommunications service, for example, voice, sound, data, text, videos, animation, visual images, pictures etc.</p> <p>See <b>Questions 23 and 40.</b></p>
16.	What is an example of educational services supplied from an export country that are not “electronic services”?	<p>On-line learning provided by a university in an export country (a country other than South Africa), governed by an education authority under the law of that export country which is similar to educational services provided by a similar institution (for example, university) in the Republic, which is exempt under section 12(h).</p> <p>Also see <b>Question 13.</b></p>
17.	What does the term “exempt supplies” mean?	<p>Any activity involving the making of an exempt supply does not form part of your enterprise in South Africa. Accordingly, such supply is not subject to VAT (either at the standard rate or zero rate).</p> <p>You cannot register as a vendor to the extent that you make exempt supplies. This means that you will not charge VAT on any exempt supplies made and no deduction of VAT may be made on any goods or services acquired for purposes of making those exempt supplies. See <b>Questions 18 and 19.</b></p>
18.	What are examples of exempt supplies?	<p>The supply of financial services (such as the provision of credit, life insurance, the services of certain benefit funds, for example, medical schemes, and retirement annuity funds, the buying, or selling of cryptocurrency), and certain educational services supplied by recognised educational institutions such as primary and secondary schools, technical colleges and universities.</p> <p>The supply of certain financial services (such as the exchange of currency, the payment or transfer of ownership of a cheque or letter of credit, the provision of credit, the buying or selling of cryptocurrency) is not exempt to the extent that any consideration in respect of such supply, is payable in the form of a fee, commission, merchant’s discount, or similar charge, (excluding discounting cost). Such additional amount is subject to VAT. For example, if you buy foreign currency, the price of the foreign currency (based on the exchange rate) is exempt, but any additional fee or commission charged for services rendered to facilitate that transaction is subject to VAT.</p> <p>See <b>Questions 17, 19 and 44.</b></p>



**FAQs: Supplies of Electronic Services**

19.	What are the consequences when “electronic services” also constitute exempt supplies?	<p>The supplies will not be taxable, as you are not conducting an enterprise in the Republic. You cannot register as a vendor in respect of exempt supplies.</p> <p>See <b>Questions 17</b> and <b>18</b>.</p>
20.	What does “group of companies” mean?	<p>“Group of companies” means two or more companies in which one company (the “<b>controlling group company</b>”) directly or indirectly holds shares in at least one other company (the “<b>controlled group company</b>”) to the extent that –</p> <ul style="list-style-type: none"> <li>• 70% of the equity shares in each controlled group company are directly held by the controlling group company, one or more other controlled group companies or any combination thereof; and</li> <li>• the controlling group company directly holds 70% of the equity shares in at least one controlled group company.</li> </ul> <p>The minimum shareholding requirement is 70%. A shareholding of less than 70% (for example, 69.9%) does not meet this requirement.</p> <p>The term “company” is defined in the VAT Act, with reference to its definition in the Income Tax Act 58 of 1962 and includes –</p> <ul style="list-style-type: none"> <li>• an association, corporation or company incorporated by or under the laws of South Africa;</li> <li>• a body corporate formed or established under the laws of South Africa;</li> <li>• an association, corporation or company incorporated under the laws of an export country;</li> <li>• a body corporate formed or established under the laws of an export country;</li> <li>• a co-operative;</li> <li>• certain associations;</li> <li>• a close corporation;</li> <li>• certain portfolios in an investment scheme or of a collective scheme,</li> </ul> <p>but does not include a “foreign partnership”, as defined in that Act. A trust is separately defined in that Act and is not a “company” as defined. Also see <b>Question 21</b>.</p>

**Example**



Company A is the controlling group company and forms part of the same group of companies of –

- Company B and Company C (Company A directly holds 70% of the equity shares of Companies B and C);
- Company D because Company B together with Company C directly holds 70% of the shares of Company D;
- Company E because Company A together with Company B directly holds 70% of the equity shares in company E;
- Company G because Company C directly holds 70% of the equity shares of Company G and Company A directly holds 70% of the equity shares of Company C; and
- Company H because Company A directly holds 100% of the equity shares in Company H.

Company F is not part of the same group of companies because only 20% of its equity shares are directly held by one of the group companies. Company E holds 20% of the equity shares in Company F, and Company A indirectly holds 2,8% of the equity shares in Company F [that is 70% (Company A’s equity shares in Company B) × 20% (Company B’s equity shares in Company E) × 20% (Company E’s equity shares in Company F)].

Company C is also a controlling group company since it directly holds 70% of the equity shares in Company G.

		<p>The above example serves as guidance on the practical application of the concept “group of companies”. SARS is, however, not able to provide comprehensive examples of all the different variations of corporate structures. SARS will also not issue rulings or opinions on whether or not a company meets the “group of companies” requirements. That is a factual matter to be determined by the company concerned. For further guidance on the “group of companies” requirements, see the following Interpretation Notes (INs):</p> <ul style="list-style-type: none"> <li>• IN 67 “Connected Persons”</li> <li>• IN 75 “Exclusion of Certain Companies and Shares from ‘group of companies’ as defined in section 41(1)”</li> </ul> <p>Also see <b>Question 21</b>.</p>
<p>21.</p>	<p>What is the impact of the Updated Regulations, and the 2025 Regulations on a “group of companies”?</p>	<p>A supply of services for a consideration by means of an electronic agent, electronic communication or the internet, by a company that is not a resident of the Republic (non-resident company) from a place in an export country, to a company being a resident of South Africa (resident company), is excluded from the ambit of “electronic services” if –</p> <ul style="list-style-type: none"> <li>• the non-resident and resident companies form part of the same group of companies (see Question 20); and</li> <li>• the non-resident company itself supplies the services it exclusively discovered, devised, developed, created, or produced for the purposes of consumption of those services by the resident company (the word “consumption” in this context means that the resident company is the end-user of the services).</li> </ul> <p>The wording under the Updated Regulations referred to “the company that is not a resident of the Republic itself supplies those services”. SARS always held the view that the phrase “itself supplies” means that the supply must be made within the group of companies, without any third-party involvement. As such, the non-resident company had to discover, devise, develop, create or produce such service itself. This has now been clarified in the 2025 Regulations by the addition of the phrase “discovered, devised, developed, created or produced”.</p> <p>Based on the above, services that are –</p> <ul style="list-style-type: none"> <li>• obtained by the non-resident company from third parties for the benefit of resident companies;</li> <li>• obtained by the non-resident from third parties in order to make the supply of the electronic service; or</li> <li>• acquired partially for consumption by the resident company,</li> </ul> <p><b>are not excluded</b> from the ambit of “electronic services”.</p>

		<p>For the purpose of the examples below, assume that the supplies by the foreign supplier do not fall within the exclusion discussed in <b>Questions 13 and 14</b>.</p> <p><i>Examples</i></p> <p><b>Example 1</b></p> <p><i>A non-resident company supplies internet-based data services to its wholly-owned subsidiaries situated in South Africa. The non-resident company developed these internet-based data services in-house for exclusive consumption by its subsidiaries that are resident in the Republic.</i></p> <p><i>These service are therefore not “electronic services”.</i></p> <p><b>Example 2</b></p> <p><i>A non-resident company enters into an internet-based data services contract for the entire group of companies, with a third-party non-resident supplier. The non-resident company on-supplies the data services to each subsidiary and charges a fee based on the use of the services. These services qualify as “electronic services”.</i></p> <p><b>Example 3</b></p> <p><i>Assume the same facts as in <b>Example 2</b>. However, the non-resident company enters into a separate contract with another entity within its group of companies in terms of which the internet-based data services obtained from the third-party non-resident supplier, as well as other related electronic services, are packaged together and supplied to the group companies for a single consideration. As the non-resident did not exclusively discover, devise, develop, create or produce the services and obtained services from third parties, in order to make these supplies, these supplies fall within the ambit of “electronic services”.</i></p> <p>The basis for the distinction in the above examples is that in the first example, the non-resident company is supplying the actual services itself, whereas in the second and third examples, the non-resident company obtains the supply of services from a third party, in order to make a supply to group entities.</p> <p><b>Example 4</b></p> <p><i>See the diagram in <b>Question 20</b>. Company A supplies on-line data services which it developed in-house, for a consideration, to Companies B and D, for exclusive consumption by these companies. Company A also supplies on-line data services to Company H for a consideration which services Company H on-supplies to Companies C and F. Company C in turn on-supplies these services to Company G for a fee.</i></p> <p><i>The supplies by Company A to companies B and D are excluded from the ambit of “electronic services”, as these supplies are made within the same group of companies, and Company A itself supplies these services it developed to the resident controlled group companies for their exclusive use.</i></p>
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		<p><i>The supply by Company H to Company F falls within the ambit of “electronic services” as Company F is not part of the same group of companies.</i></p> <p><i>The supply by Company H to Company C is also included in the ambit of “electronic services” as these services are not consumed exclusively by Company C; Company C on-supplies these services to Company G.</i></p> <p><b>Example 5</b></p> <p><i>Assume the same facts as in <b>Example 2</b>. However, in this instance, the non-resident company bundles the electronic services with certain services it physically performs in South Africa monthly, for a single consideration and issues a single monthly invoice in this regard.</i></p> <p><i>The non-resident qualifies as an “enterprise” in respect of its supply of electronic services, as well as the services continuously and regularly supplied in South Africa. The non-resident must register for VAT to the extent that the value of its taxable supplies exceeds the registration threshold (see <b>Question 30</b>). The non-resident will generally only register once in respect of all its enterprises (see <b>Question 35</b>), subject to certain exceptions.</i></p> <p><b>Example 6</b></p> <p><i>Assume the same facts as in <b>Example 1</b>. However, in this instance, the non-resident company bundles the electronic services with certain accounting services, which are neither electronic services, nor physically performed in the Republic. These bundled services are supplied for a single consideration.</i></p> <p><i>Under section 10(22), if a taxable supply is not the only matter to which a consideration relates, the consideration must be properly attributed to the respective matters. Part of the consideration relating to the supply of electronic services will therefore be subject to VAT at the standard rate, whilst the balance relating to the accounting services will be out of scope for South African VAT purposes. The non-resident company will be required to only declare and account for the supplies made in the course or furtherance of its enterprise on the VAT201 return.</i></p> <p><i>See <b>Question 31</b>.</i></p> <p><i>To the extent that section 10(22) applies, and a portion of the consideration relates to services not subject to VAT, the recipient may be liable for VAT on imported services. See <b>Questions 68 to 70</b>.</i></p> <p><i>Section 10(4) provides for special valuation purposes in the case of connected persons such as a non-resident controlling group company and its resident controlled group companies if –</i></p> <ul style="list-style-type: none"> <li><i>• a supply is made for no consideration, or for a consideration in money less than the open market value of the supply; and</i></li> </ul>
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		<ul style="list-style-type: none"> <li>the recipient would not be entitled to a full deduction of the input tax, had a consideration equal to the open market value of the supply been paid.</li> </ul> <p><i>In this instance, the consideration for the supply is deemed to be the open market value (the consideration in money which would generally be charged for the supply, being a supply freely offered and made between two persons that are not connected).</i></p> <p><i>Should the supplier not be able to apply section 10(22) in such a case, the total amount of the consideration will be ascribed to the making of a taxable supply of “electronic services”, which is subject to VAT at the standard rate. In this instance, the supplier has to declare and account for the VAT on the entire amount in its VAT201 return. See <b>Question 31</b>.</i></p> <p><b>Example 7</b></p> <p><i>A resident group company supplies a complete hardware and software solution to its customers. In order to supply these solutions, it obtains various elements (some being supplied by electronic means and some other services) from different non-resident group companies (within the same group of companies).</i></p> <p><i>As the resident group company does not acquire the electronic services exclusively for its own consumption (as it on-supplies the services to its customers), each non-resident group company must determine the extent to which it supplies “electronic services” and whether it is liable to register as a vendor. In this regard, each non-resident group company exceeding the registration threshold will be required to be registered as a vendor.</i></p> <p><b>Example 8</b></p> <p><i>A non-resident group company purchases a software application, customises it in accordance with specific needs, and supplies the application to its resident group company. As the services are not exclusively discovered, devised, developed, created or produced by the non-resident company and involves the supply of procured electronic services from third parties, the supply falls within the ambit of “electronic services”.</i></p>
<p>22.</p>	<p>What are some examples of electronic services?</p>	<p>Examples of electronic services supplied by means of an electronic agent, electronic communication or the internet include, among others, the following:</p> <ul style="list-style-type: none"> <li>Certain educational services such as distance teaching programmes, educational webcasts, courses or education programmes, and webinars (excluding educational services referred to in <b>Questions 13 and 16</b>)</li> <li>Content such as signals, writing, images, sounds or information of any kind that are transmitted, emitted or received by way of a telecommunications service</li> <li>Games and games of chance such as electronic games, interactive games, electronic betting or wagering</li> </ul>

		<ul style="list-style-type: none"> <li>• Auction services</li> <li>• On-line advertising or provision of advertising space</li> <li>• On-line shopping portals</li> <li>• Web-based broadcasting (see <b>Question 15</b>)</li> <li>• Access or download of E-books (see <b>Question 45</b>), audio visual content, still images (for example, desktop themes, photographic images, screensavers), music (for example, ringtones, songs, live streaming performance); films (see <b>Question 43</b>)</li> <li>• Access to blogs, journals, magazines, newspapers, games, publications, social networking, webcasts, webinars, websites, web applications, web series</li> <li>• Website hosting, data warehousing, application hosting (see <b>Question 42</b>)</li> <li>• Download or access of software</li> <li>• Software applications (“apps”) downloaded by users on mobile devices</li> <li>• Software applications allowing users to provide sharing services such as ridesharing and accommodation</li> <li>• Supplies of electronic services if the non-resident company supplies procured services to the resident company, and the non-resident and resident company forms part of the same “group of companies” (see Questions <b>20</b> and <b>21</b>)</li> <li>• On-line booking services (see <b>Question 46</b>)</li> <li>• On-line automated maintenance of programmes</li> <li>• Cloud computing</li> <li>• A legal opinion prepared in an export country and sent by e-mail</li> <li>• An architect’s plan drawn up in an export country, and sent to the client by e-mail</li> </ul> <p>The scope of electronic services includes <b>any services</b> supplied electronically as explained in <b>Question 7</b>. The above list of services is not exhaustive.</p>
<p>23.</p>	<p>What are some examples of supplies that are <b>not</b> electronic services?</p>	<ul style="list-style-type: none"> <li>• Certain educational services (see <b>Question 16</b>)</li> <li>• Certain financial services for which a fee is charged (refer to see <b>Questions 18</b> and <b>44</b>)</li> <li>• Telecommunications services (refer to <b>Question 15</b> and <b>36</b>)</li> <li>• Certain supplies made between entities within a “group of companies” (refer to <b>Questions 20</b> and <b>21</b>)</li> <li>• The online supply of tangible goods such as books or clothing (refer to see <b>Questions 39</b> and <b>45</b>)</li> </ul>

**FAQs: Supplies of Electronic Services**

24.	When is a foreign supplier of electronic services conducting an enterprise for South African VAT purposes?	<p>A foreign supplier of electronic services is conducting an enterprise if the electronic services (see <b>Question 3</b>) are supplied from a place in an export country (see <b>Question 25</b>), and any two of the following three circumstances are present:</p> <ol style="list-style-type: none"> <li>1. The recipient of the services is a resident of South Africa (see <b>Question 26</b>);</li> <li>2. The payment for the services originates from a bank registered under the Banks Act 94 of 1990 (the Banks Act); or</li> <li>3. The recipient of the services has a business, residential or postal address in South Africa.</li> </ol> <p>A foreign electronic services supplier that exceeds the VAT registration threshold (see <b>Question 30</b>) and meets the above 2 out of 3 requirements (hereinafter referred to as the “2 out of 3 test”) will be required to register as a vendor (see <b>Question 1</b>) and account for VAT only in respect of its electronic services supplied to South African customers. Any other supplies made by the foreign electronic services supplier that do not fall in either paragraph (a), or paragraph (b) of the definition of “enterprise” are not taken into account in determining such supplier’s VAT registration liability, nor is it accounted for in the supplier’s VAT201 return. See <b>Question 31</b>.</p>
25.	What is an export country?	A country other than the Republic of South Africa.
26.	What is a resident for South African VAT purposes?	<p>A “resident” as defined in the Income Tax Act, or any other person or company, to the extent that such person or company carries on an enterprise or activity in South Africa and has a fixed or permanent place in South Africa relating to such enterprise or activity. Effective from 1 April 2025, the term “resident” excludes a person that is a “resident” under the Income Tax Act, solely as a result of having its place of effective management in the Republic and that does not carry on any “enterprise” in the Republic.</p> <p>For more information see the following INs:</p> <ul style="list-style-type: none"> <li>• IN 3 “Resident: Definition in relation to a Natural Person – Ordinarily Resident”</li> <li>• IN 4 “Resident: Definition in relation to a Natural Person – Physical Presence Test</li> <li>• IN 6 (Issue 2) “Resident – Place of Effective Management (Companies)”</li> </ul>



<p>27.</p>	<p>Who must register as a vendor and collect VAT on electronic services?</p>	<p>Generally, vendors (see <b>Question 1</b>) are required to levy, collect, and account for VAT. In the case of electronic services, this will be the foreign electronic services supplier or in certain instances, the intermediary (which may be a resident or a non-resident) (see <b>Questions 29 to 36</b>). Also see <b>Questions 48 to 51</b> relating to VAT registration, and <b>Question 38</b> relating to the issuing of tax invoices by an intermediary.</p> <p>Just like any other vendor, foreign electronic services suppliers and intermediaries have to perform certain duties and take on certain responsibilities, such as ensuring that VAT is charged and collected on taxable transactions, returns are submitted, payments are made on time and tax invoices (and other specifically prescribed documents) are issued. See <b>Questions 48 to 61</b>.</p> <p><u>Before 1 April 2025</u></p> <p>The foreign electronic services supplier (principal) that exceeded the registration threshold, but failed to register as a vendor, may be guilty of an offence, and remains liable to register and account for VAT on electronic services in the supplier’s VAT return. This remains the case even if the VAT on those supplies has been accounted for on a return by an intermediary (agent).</p> <p>Notwithstanding, should the value of supplies made on behalf of non-VAT registered principals by an intermediary result in the intermediary exceeding the VAT registration threshold, that intermediary is liable to register and account for such VAT on its own VAT return. Failure by the intermediary to register as a vendor is an offence.</p> <p>The intermediary is liable to account for VAT on supplies of electronic services made by the non-VAT registered principal (see <b>Questions 33, 34 and 37</b>), until such time as the principal confirms that it is registered for VAT and the principal will commence accounting for such supplies on their own VAT return.</p> <p><u>On or after 1 April 2025</u></p> <p>The intermediary (the agent) is liable to account for the VAT on supplies made on behalf of the foreign electronic services supplier (the principal) if the parties agreed in writing to treat such supplies as made by the intermediary. In this instance, the intermediary and the foreign electronic services supplier will be held jointly and severally liable for performing the relevant duties under the VAT Act and for paying the relevant tax on the taxable supplies made under such agreement.</p>
<p>28.</p>	<p>In what instances are electronic services supplied to persons in South Africa subject to VAT?</p>	<p>Electronic services supplied to persons in South Africa may be subject to VAT, either because –</p> <ul style="list-style-type: none"> <li>• the foreign electronic services supplier is required to register as a vendor in its own name, if the taxable supplies made to persons in South Africa exceed the R1 million registration threshold;</li> </ul>

**FAQs: Supplies of Electronic Services**

		<ul style="list-style-type: none"> <li>• the foreign electronic services supplier voluntarily registered for VAT;</li> <li>• before 1 April 2025, the intermediary, being a vendor, was required to account for VAT on supplies made by the foreign electronic services supplier (see <b>Questions 33, 34 and 38</b>) because that electronic services supplier was not registered for VAT; or</li> <li>• on or after 1 April 2025, the intermediary and the foreign electronic services supplier (whether registered as a vendor or not) have agreed in writing to treat supplies made by the intermediary on behalf of the foreign electronic services supplier, as being made by the intermediary.</li> </ul>
29.	<p>What would be the reason for a foreign electronic services supplier not being registered for VAT?</p>	<p>The reason that a foreign electronic services supplier is not registered for VAT may be due to the foreign electronic services supplier –</p> <ul style="list-style-type: none"> <li>• not having applied to register for VAT (notwithstanding that the registration threshold has been exceeded and it is mandated to register as a vendor);</li> <li>• not having exceeded the registration threshold, in which case it is not required to register as a vendor; or</li> <li>• the intermediary having agreed on or after 1 April 2025, that supplies of electronic services made by the intermediary on behalf of the foreign electronic services supplier will be treated as being made by the intermediary (the intermediary will accordingly account and declare the VAT in this regard).</li> </ul>
30.	<p>When must a foreign electronic services supplier or intermediary register as a vendor?</p>	<p>Effective from 1 April 2019, the foreign electronic services supplier or intermediary (see <b>Question 27</b>, before 1 April 2025 the intermediary was liable to register and account for VAT in respect of supplies made on behalf of a foreign electronic services supplier that was not registered as a vendor) must register as a vendor at the end of any month where the total value of taxable supplies made by that supplier exceeds R1 million in any consecutive 12-month period.</p> <p>For foreign electronic services suppliers that became liable to register as vendors due to the Updated Regulations, the 12-month period was calculated from 1 April 2019 in respect of supplies of electronic services which became taxable from 1 April 2019. Newly affected foreign electronic services suppliers therefore would not have been liable to register as a vendor under the Updated Regulations before 1 May 2019.</p>

	<p>Before 5 January 2023, there were no similar exclusion as contemplated in section 23(1), in respect of abnormal circumstances of a temporary nature, for foreign electronic services providers and intermediaries. However, from 5 January 2023, section 23(1A) provides that a supplier of electronic services, or an intermediary, will not be liable to register if the registration threshold is exceeded solely as a consequence of abnormal circumstances of a temporary nature. This is interpreted to refer to events that are out of the ordinary, unlikely to reoccur, and only occurring for a limited period.</p> <p><b>Example</b></p> <p><i>A digital artist with a business in London, United Kingdom (UK), uses software to create digital art from photographs. The business does not normally supply services to any person outside of the UK, and supplies services only to private individuals. A business in South Africa saw the art on the internet and made a special request to the artist to create digital art for its offices throughout South Africa. The business in South Africa will download the completed artwork on-line and have it printed in South Africa. The digital artist charges the South African business R1,1 million for processing the photographs and creating the artwork on-line.</i></p> <p><i>The artist will not be liable to register as a “vendor” in the Republic, as the registration threshold was exceeded solely as a result of a once-off supply, that is not likely to reoccur. However, should the artist continue to make supplies of electronic services to recipients in the Republic, the artist will be required to register if the registration threshold is exceeded.</i></p> <p>Foreign electronic service suppliers that were liable to account for VAT on electronic services under the Original Regulations, continue to be liable from the date that the registration threshold was exceeded, that is, between 1 June 2014 and 1 April 2019. (The rule before 1 April 2019 was that such foreign electronic services suppliers were liable to register at the end of any month when the value of taxable supplies exceeded R50 000).</p> <p>Foreign electronic services suppliers need to add the value of electronic services supplied under the Original Regulations as well as the Updated Regulations and the 2025 Regulations, as the case may be, in order to determine the liability date for VAT registration.</p> <p>You can also register voluntarily if you have made taxable supplies exceeding R50 000 in a preceding period of 12 months.</p>
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<p>31.</p>	<p>How do I determine my registration liability if I make supplies of electronic services and also physically make supplies in South Africa and what must I disclose on my VAT201 return once registered?</p>	<p><i>Paragraph (b)(vi) or (vii) of the definition of “enterprise”</i></p> <p>If you supply only electronic services and meet the 2 out of 3 test (see <b>Question 24</b>) or you conduct only the activities of an intermediary (see <b>Question 33</b>) you are liable to register as a vendor if you exceed the registration threshold in section 23(1A), which is currently R1 million.</p> <p>In order to determine your liability in this case, you will take into account only taxable supplies that you make from conducting an “enterprise” under paragraph (b)(vi) or (vii) of the definition of “enterprise”, as the case may be.</p> <p>These are also the only supplies that need to be disclosed on your VAT201 return once you are registered and submit returns. A foreign electronic services supplier that is registered for VAT therefore does not account for its supplies made globally, on the VAT201 return.</p> <p><i>Paragraphs (a) and (b)(vi) or (vii) of the definition of “enterprise”</i></p> <p>If you make supplies under paragraph (b)(vi) or (vii) of the definition of “enterprise”, and also make supplies that fall within paragraph (a) of the definition of “enterprise” (that is, you conduct activities in or partly in South Africa), you are required to take into account the value of <u>all</u> taxable supplies so made in order to determine your registration liability under section 23(1). This means that you have to take into account the value of electronic services supplied to recipients in South Africa as well as the value of any other supplies made in or partly in South Africa.</p> <p>You are required to account for supplies on your VAT201 return only in respect of supplies made in the course or furtherance of your “enterprise(s)” as defined for South African VAT purposes.</p>
<p>32.</p>	<p>What is an “intermediary” in the context of electronic services?</p>	<p>An intermediary is a person that facilitates the supply of electronic services by a foreign electronic services supplier in circumstances where that person is responsible for –</p> <ul style="list-style-type: none"> <li>• the issuing of invoices; and</li> <li>• collecting payment</li> </ul> <p>in respect of the supply of electronic services.</p> <p>An intermediary is also known globally as a “platform” or “electronic marketplace” that enables, by electronic means, transactions between buyers and sellers.</p> <p>The phrase “facilitating the supply” may include a range of services in addition to being responsible for the issuing of invoices and the collection of payment as mentioned above. For example, it could include advertising or listing the electronic services for sale on the platform or electronic marketplace with or without making it known that the sale of the electronic services is being sold on behalf of the principal. However, a person cannot qualify as an intermediary if that person is not responsible for the –</p> <ul style="list-style-type: none"> <li>• issuing of invoices; and</li> </ul>

		<ul style="list-style-type: none"> <li>• collection of payment.</li> </ul> <p>An intermediary (whether resident or non-resident) is conducting an enterprise to the extent of its own activities in the Republic and its activities in facilitating the supply of electronic services as set out above.</p> <p>Also see <b>Questions 33</b> and <b>34</b>.</p>																
<p>33.</p>	<p>When is an intermediary required to register as a vendor?</p>	<p>The intermediary must register as a vendor at the end of any month when the total value of taxable supplies made and deemed to be made by that intermediary exceeded R1 million in any consecutive 12-month period.</p> <p>Also see <b>Questions 27</b> and <b>34</b>.</p> <p><u>Before 1 April 2025</u></p> <p>If you are an intermediary, you must determine the sum of the value of all your own South African taxable supplies and the value of all electronic services made by non-VAT-registered foreign electronic services suppliers on your platform. If the sum of these amounts exceeds R1 million in any consecutive period of 12 months, then you are required to register for VAT as an intermediary.</p> <p><b>Example</b></p> <p><i>The value of taxable supplies made by you, as well as on behalf of non-VAT-registered foreign electronic services suppliers in a period of 12 months from 1 April 2019 to 30 June 2019 is as follows:</i></p> <table border="0" data-bbox="662 1220 1276 1736"> <thead> <tr> <th style="text-align: left;"><b>Non-VAT-registered foreign electronic services suppliers</b></th> <th style="text-align: right;"><b>Value of supplies</b></th> </tr> <tr> <td></td> <th style="text-align: right;"><b>R</b></th> </tr> </thead> <tbody> <tr> <td>ABC</td> <td style="text-align: right;">234 000</td> </tr> <tr> <td>DEF</td> <td style="text-align: right;">721 000</td> </tr> <tr> <td>GHI</td> <td style="text-align: right;">25 000</td> </tr> <tr> <td><b>Total supplies on behalf of non-VAT-registered foreign electronic service suppliers</b></td> <td style="text-align: right;"><b>980 000</b></td> </tr> <tr> <td>Own supplies</td> <td style="text-align: right;">25 000</td> </tr> <tr> <td><b>Total supplies</b></td> <td style="text-align: right;"><b><u>1 005 000</u></b></td> </tr> </tbody> </table> <p><i>As the value of the taxable supplies made by you and the foreign electronic services suppliers using your platform exceeds R1 million in a consecutive period of 12 months, you will be required to register as a vendor with effect from the end of the month that the taxable supplies exceeded R1 million after 1 July 2019.</i></p>	<b>Non-VAT-registered foreign electronic services suppliers</b>	<b>Value of supplies</b>		<b>R</b>	ABC	234 000	DEF	721 000	GHI	25 000	<b>Total supplies on behalf of non-VAT-registered foreign electronic service suppliers</b>	<b>980 000</b>	Own supplies	25 000	<b>Total supplies</b>	<b><u>1 005 000</u></b>
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On or after 1 April 2025

If you are an intermediary, you must determine the sum of the value of all your own South African taxable supplies and the value of all electronic services made by foreign electronic services suppliers on your platform with whom you have entered into a written agreement to treat these supplies as your own. If the sum of these amounts exceeds R1 million in any consecutive period of 12 months, then you are required to register for VAT as an intermediary.

**Example**

*As part of promoting your platform, you agree to account for VAT in the Republic on behalf of electronic services suppliers trading on your platform. The value of taxable supplies made by you, as well as on behalf of foreign electronic services suppliers with whom you have agreed to treat such supplies as your own, in a period of 12 months from 1 March 2024 to 30 April 2025 is as follows:*

<b>Non-VAT-registered foreign electronic services suppliers</b>	<b>Value of supplies</b>
	<b>R</b>
ABC	234 000
DEF	721 000
GHI	25 000
<b>Total supplies on behalf of foreign electronic service suppliers from 1 April 2025</b>	980 000
Own supplies from 1 March 2024 to 30 April 2025	98 000
<b>Total supplies</b>	<b><u>1 078 000</u></b>

*As the value of the taxable supplies made by you and the foreign electronic services suppliers using your platform with whom you have an agreement to treat such supplies as your own, exceeds R1 million in a consecutive period of 12 months, you will be required to register as a vendor with effect from the end of the month that the taxable supplies exceeded R1 million after 1 April 2025.*

<p>34.</p>	<p>When is a supply deemed to be made by an intermediary?</p>	<p><u>Before 1 April 2025</u></p> <p>A supply of electronic services was deemed [under section 54(2B)] to be made by the intermediary and not the principal, if the electronic services were supplied through an intermediary platform or online marketplace on behalf of the principal and –</p> <ul style="list-style-type: none"> <li>• the intermediary was a vendor;</li> <li>• the principal was not a resident and not a registered vendor; and</li> </ul> <p>the electronic services were supplied to a person in South Africa (that is the supplies are made in the course of an enterprise for South African VAT purposes as discussed in <b>Question 24</b>).</p> <p>An intermediary that qualifies to register and account for VAT in respect of supplies made on behalf of the foreign electronic services supplier, will be required to periodically check that all of the conditions referred to above still apply. Should one of the conditions no longer apply, the intermediary can no longer account for supplies made on behalf of the foreign electronic services supplier, and such foreign electronic services supplier itself may be required to register and account for VAT on such supplies (see <b>Question 27</b>).</p> <p><u>On or after 1 April 2025</u></p> <p>A supply of electronic services is deemed [under section 54(2B)] to be made by the intermediary and not the principal, if the electronic services were supplied through an intermediary platform or online marketplace on behalf of the principal and –</p> <ul style="list-style-type: none"> <li>• the intermediary is a vendor;</li> <li>• the principal is not a resident;</li> <li>• the intermediary and the principal agrees to treat the supplies made by the intermediary on behalf of the principal as being made by the intermediary; and</li> <li>• the electronic services are supplied to a person in South Africa (that is the supplies are made in the course of an enterprise for South African VAT purposes as discussed in <b>Question 24</b>).</li> </ul> <p>Also see <b>Question 27</b>.</p> <p><i>Examples</i></p> <p><b>Example 1</b></p> <p><i>I am a registered vendor conducting my business in South Africa, which entails the supply of various digitised products for download on my website, for example, electronic books. South-African users can also download various ringtones and screensavers from my website. However, the ringtones and screensavers are supplied by foreign electronic services suppliers that use my website as a platform or online marketplace to advertise and sell their digitised content. These foreign electronic services suppliers are not registered for VAT and are non-residents.</i></p>
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		<p><i>Users pay a separate fee per download, and I issue invoices and collect the payments for all supplies (that is, my own supplies, as well as those of the foreign electronic services suppliers). After collecting the full price from the customer in respect of the foreign electronic services suppliers' products, I deduct a 10% commission based on the value of the products and remit the balance due to the suppliers.</i></p> <p><u><i>Before 1 April 2025</i></u></p> <p><i>You were an “intermediary” as defined (see <b>Question 32</b>). You were therefore required to have accounted for VAT on the supplies of electronic services made by the foreign electronic services suppliers in your VAT return, in addition to your own supplies.</i></p> <p><u><i>On or after 1 April 2025</i></u></p> <p><i>You are an “intermediary” as defined (see <b>Question 32</b>). Provided you and the foreign electronic services supplier agreed in writing to treat supplies made on behalf of the foreign electronic services supplier as being made by you, you have to account for VAT on the supplies of electronic services made by you, on behalf of the foreign electronic services suppliers, in your VAT return, in addition to your own supplies.</i></p> <p><i>The reason for this is that all the following conditions are met:</i></p> <ul style="list-style-type: none"> <li>• <i>The ringtones and screensavers constitute “electronic services”;</i></li> <li>• <i>You are a registered vendor (see <b>Question 1</b>) and the electronic services are facilitated by you as they are made available for sale (download) on your website, which is an online marketplace or platform;</i></li> <li>• <i>You are responsible for the issuing of invoices and collecting of payment in respect of the electronic services supplied on behalf of the foreign electronic services suppliers. This will still be applicable even if you outsource the payment function to another service provider. The policy rationale for this is that you will still be “responsible” for collecting the payment. Through your platform, you will not authorise the release of the product to the consumer if payment has not been made;</i></li> <li>• <i>In respect of supplies before 1 April 2025, the suppliers were non-residents carrying on a business in an export country and they were not registered as vendors (see <b>Question 1</b>);</i></li> <li>• <i>In respect of supplies on or after 1 April 2025, you and the foreign electronic services suppliers agreed in writing to treat the supplies made on their behalf, as your own.</i></li> </ul>
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**Example 2**

*I am a non-resident, conducting my business outside of South Africa, which entails allowing various businesses in export countries to use my platform to sell their digitised content. These foreign electronic services suppliers are not registered for VAT and are also non-residents. I am not a registered vendor for South African VAT purposes.*

*The combined value of supplies made by these foreign electronic services suppliers to customers in South Africa exceeds R1 million. Only some of these customers are VAT registered vendors.*

*In this example, you will also be an “intermediary” as defined in the Updated Regulations. Before 1 April 2025 you were required to register and account for VAT on the supplies of electronic services made by the foreign electronic services suppliers to customers in South Africa in your VAT return. Also see **Questions 27, 32 and 33**.*

*After 1 April 2025 you are also an “intermediary” but required to only register and account for supplies made on behalf of such foreign electronic services suppliers to the extent that you have a written agreement with them to treat these supplies as your own.*

**Example 3**

*Assume the same facts as in **Example 1**, except that some of the foreign electronic services suppliers are registered as vendors in South Africa.*

*In this case, you will still be regarded as an “intermediary”, but before 1 April 2025 you were liable to account for VAT on the supplies of the foreign electronic services suppliers that were not registered as vendors in South Africa. (See **Question 1**.) You would have had to account for the supplies of those foreign electronic service suppliers in your VAT return, in addition to your own supplies.*

*You were not liable to account for the VAT payable in the case of VAT-registered foreign electronic services suppliers that used your platform to make their supplies to South African customers (see **Question 24**). As agent, you would still have been required to show the VAT charged on tax invoices issued on behalf of both the registered and non-VAT-registered foreign electronic services suppliers (see section 54(1) and **Question 38**). However, the foreign electronic services suppliers would have been liable to account for the VAT on electronic services supplied to South African customers in their own VAT returns (see **Questions 24 and 27**).*

*On or after 1 April 2025, however, you are required to only account for supplies made on behalf of these foreign electronic services suppliers (whether they are registered as vendors or not) if you have a written agreement with them to treat these supplies as your own.*

35.	I am a resident supplier of digitised products via my website. I am a registered VAT vendor as well as an “intermediary”. Must I register separately as a vendor in this regard?	You are required to only register once in respect of all the enterprises/activities that you carry on, unless you meet the requirements of section 50, which permits separate enterprises to be registered as separate branch VAT registrations.
36.	I am responsible for facilitating the supply of electronic services on behalf of foreign electronic services suppliers. However, I outsource the invoicing and payments function to a third party. Must I still register as a vendor in respect of the intermediary activities?	<b>Yes</b> , even if the payment, collection and invoicing functions are outsourced, as long as you are responsible to the foreign electronic services suppliers to ensure that the invoices are issued and the payments are made, then you will be liable to register for VAT and account for those transactions. Also see <b>Questions 32 to 34</b> .
37.	I am a foreign electronic services supplier. I supply services to persons in South Africa by means of an intermediary. Must I also register as a vendor?	You will be required to register as a vendor should you exceed the registration threshold. However, before 1 April 2025, if you did not register as a vendor, or did not meet the registration threshold, your supplies of electronic services to persons in South Africa were deemed to be made by the intermediary if the conditions set out in <b>Question 34</b> applied. In that case, the intermediary had to account for your supplies. Also see <b>Questions 24, 27 and 30</b> .  From 1 April 2025, you can enter into a written agreement with the intermediary, regardless whether or not you are registered, to treat supplies made on your behalf, as if made by the intermediary. See <b>Questions 27, 28 and 34</b> .
38.	I am a VAT-registered foreign electronic services supplier (principal), but I make supplies only to persons in South Africa by means of an intermediary. May I deregister for VAT?	<u><i>Before 1 April 2025</i></u> <b>No, but with one exception.</b> An intermediary was deemed to only supply services as a principal if certain conditions were met. See <b>Questions 27, 34 and 37</b> . One of the requirements were that the principal was not a resident and not a registered vendor. If you exceeded the registration threshold you were required to remain registered as a vendor and had to account for your supplies of electronic services to customers in South Africa.

		<p>In this case, the intermediary (that was acting as your agent) would still have showed the VAT charged on the tax invoices issued on your behalf [see section 54(1)]. However, the VAT indicated on those invoices should have been accounted for in your VAT return as you were the principal making those supplies. Also see <b>Question 34</b>.</p> <p><u>On or after 1 April 2025</u></p> <p>You may deregister for VAT under the following circumstances:</p> <ul style="list-style-type: none"> <li>• You make supplies solely to VAT registered vendors (See <b>Questions 7, 13 and 14</b>); or</li> <li>• You and your intermediary have a written agreement to treat supplies made on your behalf, as that of the intermediary (see <b>Questions 33 and 37</b>).</li> </ul>
<p>39.</p>	<p>I supply and export machinery directly to customers world-wide from my premises in an export country. I also provide online customer support services relating to the use of the machinery for free to my customers via an electronic agent. Do I provide “electronic services” to my South African customers?</p>	<p><b>No</b>, the supply of the machinery (being goods) does not fall within the ambit of “electronic services” (see <b>Question 23</b>).</p> <p>Furthermore, in respect of the online customer support services delivered via an electronic agent, you do not charge any consideration. Therefore, such services do not constitute “electronic services”.</p> <p>You will, however, supply electronic services if the customers pay a fee (whether once-off, periodically etc.) for the online customer support services. In this case, you will be required to register and account for VAT in respect of these services supplied to South African customers (see <b>Question 24</b>) if you meet the registration threshold (see <b>Question 30</b>).</p> <p>From 1 April 2025, if all your South African customers are VAT registered vendors, the customer supplier services will no longer fall within the ambit of “electronic services”. See <b>Questions 6, 13 and 14</b>.</p>
<p>40.</p>	<p>I am a non-resident internet service supplier and charge users worldwide a fee for accessing the internet via my servers. A user uses a telephone line (supplied directly by a third-party non-resident to the user) to connect to the internet using a modem. Am I supplying electronic services?</p>	<p><b>No</b>, the supply is that of telecommunications services being a connection to allow for the transmission and reception of data over the internet, which does not constitute electronic services.</p> <p>The supply of the telephone line by the third party also constitutes “telecommunications services”, which is excluded from the ambit of “electronic services”.</p> <p>See <b>Questions 15 and 23</b>.</p>

**FAQs: Supplies of Electronic Services**

41.	I am a non-resident and provide on-line access to market data, by means of a subscription. Am I supplying electronic services?	<p><b>Yes</b>, subscription services to a web application were already included as electronic services in the Original Regulations. You should therefore already have registered as a vendor, if you have exceeded the registration threshold in respect of supplies constituting “electronic services” under the Original Regulations. See <b>Question 30</b>.</p> <p>From 1 April 2025, if all your South African customers are VAT registered vendors, the access to market services will no longer fall within the ambit of “electronic services”. See <b>Questions 6, 13 and 14</b>.</p>
42.	I allow customers space on my server to create and maintain blogs. I am a non-resident and supply this service to customers worldwide for a fee. Am I supplying electronic services?	<p><b>Yes</b>, the service is that of web hosting, which is an electronic service. See <b>Question 22</b>. You will be required to register if you are an enterprise and exceed the registration threshold. See <b>Questions 24 and 30</b>.</p> <p>From 1 April 2025, if all your South African customers are VAT registered vendors, the web hosting services will no longer fall within the ambit of “electronic services”. See <b>Questions 6, 13 and 14</b>.</p>
43.	I have a website where music and films are made available to customers worldwide via live streaming for a fixed monthly fee. Am I supplying electronic services?	<p><b>Yes</b>, the live streaming of the music and films via electronic means constitutes an electronic service. See <b>Question 22</b>. You will be required to register if you are an enterprise and exceed the registration threshold. See <b>Questions 24 and 30</b>. Amongst others, the supply of “music” (for example audio clips and live streaming performances) and subscription services fell into the ambit of the Original Regulations. You may therefore have a liability to have registered under the Original Regulations.</p> <p>Due to the nature of your supplies, it is unlikely that your supplies will fall into the exclusion that applies from 1 April 2025 in respect of foreign electronic services suppliers that make supplies only to VAT registered vendors. See <b>Questions 6, 13 and 14</b>.</p>
44.	I am a non-resident, providing instant electronic money transfer services from an export country. This allows customers globally to pay for goods or services from anywhere in the world. I charge a service fee per transfer. Am I supplying electronic services?	<p><b>Yes</b>, the fee that you charge for your services constitutes consideration for the supply of an electronic service and does not constitute consideration for the supply of exempt financial services. You will therefore be liable to register for VAT if you exceed the VAT registration threshold. However, the amount of money that you exchanged in order to make the money transfer to the other country constitutes a financial service that is exempt from VAT if that supply was made in South Africa. Also see <b>Questions 17 and 23</b>. You will be required to register if you are an enterprise and exceed the registration threshold. See <b>Questions 24 and 30</b>.</p> <p>Due to the nature of your supplies, it is unlikely that your supplies will fall into the exclusion that applies from 1 April 2025 in respect of foreign electronic services suppliers that make supplies only to VAT registered vendors. See <b>Questions 6, 13 and 14</b>.</p>

**FAQs: Supplies of Electronic Services**

<p>45.</p>	<p>I take online orders for books, which are shipped directly to recipients world-wide, including South Africa. My business is conducted from an export country. Am I supplying electronic services under the Updated Regulations or the 2025 Regulations?</p>	<p>The supply of tangible goods (that is the physical books being exported), does not constitute electronic services. See <b>Question 23</b>. This should be differentiated from the supply of digitised products (for example, electronic books, purchased on the internet or used online), which falls within the ambit of “electronic services”. See <b>Question 22</b>.</p>
<p>46.</p>	<p>I am a non-resident and list various suppliers of accommodation worldwide on my website. Customers can book accommodation on-line for which I charge a booking fee. Suppliers of accommodation also pay me a fixed fee for listing them on my site. Am I supplying electronic services under the Updated Regulations or the 2025 Regulations?</p>	<p><b>Yes</b>, the supply of on-line advertising (for the suppliers of accommodation) and booking services (to customers in South Africa) for a consideration constitute the supply of electronic services (see <b>Question 22</b>). The location of the property has no bearing on the supply of electronic services. In other words, if you supply electronic services, you meet the 2 out of 3 test in <b>Question 24</b> and you exceed the registration threshold, you are required to register, and account for these electronic services, regardless of the country in which the accommodation is physically provided. (see <b>Question 30</b>.)</p> <p>The supply of the accommodation itself, however, is not an electronic service. Accommodation is usually subject to VAT, GST or a similar indirect tax in the country in which the accommodation is situated (provided the supplier is required to charge any indirect tax thereon). This is on the basis that the actual “use” or “enjoyment” or “consumption” of the accommodation occurs in the country in which the accommodation is situated, and VAT/GST is a consumption tax.</p> <p>Due to the nature of your supplies, it is unlikely that your supplies will fall into the exclusion that applies from 1 April 2025 in respect of foreign electronic services suppliers that make supplies only to VAT registered vendors. See <b>Questions 6, 13 and 14</b>.</p>
<p>47.</p>	<p>I am an artist in an export country. I make digital art from photographs people send me, using software. I send the art to the customer via e-mail. Am I supplying electronic services?</p>	<p><b>Yes</b>, the service is supplied by electronic means from outside South Africa, to a resident, therefore meeting the requirements of the Updated Regulations, and the 2025 Regulations. Provided such supplies are made on a continuous or regular basis to customers in South Africa in excess of the R1 million VAT registration threshold, you will be required to register as a vendor. See <b>Questions 7, 21 and 24 and 30</b>.</p> <p>Due to the nature of your supplies, it is unlikely that your supplies will fall into the exclusion that applies from 1 April 2025, in respect of foreign electronic services suppliers that make supplies only to VAT registered vendors. See <b>Questions 6, 13 and 14</b>.</p>

48.	How do I go about registering as a vendor?	Download the VAT application form (VAT101). The completed and signed form must be e-mailed together with the relevant supporting documents to <a href="mailto:eCommerceRegistration@sars.gov.za">eCommerceRegistration@sars.gov.za</a> . For more details, see the <i>External Guide: Supply of Electronic Services by Foreign Suppliers and Foreign Intermediaries</i> .
49.	Do I need a South African bank account in order to register as a vendor?	<p><u><i>Before 24 December 2024</i></u></p> <p><b>No</b>, a foreign electronic services supplier or non-resident intermediary (see <b>Question 26</b>) was not required to open a South African bank account.</p> <p><u><i>On or after 24 December 2024</i></u></p> <p><b>No, subject to an exception.</b> A foreign electronic services supplier or non-resident intermediary (see <b>Question 26</b>) is not required to open a South African bank account, as long as the person is resident in a country that the Republic has a double taxation agreement in force under the Income Tax Act, or a tax agreement under the VAT Act; and –</p> <ul style="list-style-type: none"> <li>• is a company– <ul style="list-style-type: none"> <li>➤ being an “external company” under the Companies Act 71 of 2008 and</li> <li>➤ that does not have a fixed or permanent place in South Africa relating to its enterprise; or</li> </ul> </li> <li>• is a natural person that is physically present in South Africa less than an accumulated period of six months in any period of 12 months; or</li> <li>• is an enterprise solely as a result of supplying “electronic services” and meeting the 2 out of 3 test (see <b>Question 24</b>).</li> </ul> <p>Once a foreign electronic services supplier or non-resident intermediary no longer falls within the above exclusions, such person <b>will be required</b> to open a South African bank account.</p> <p><u><i>Before, on and after 24 December 2024</i></u></p> <p>An intermediary being a resident of South Africa will be required to open a bank account with any bank, mutual bank or other similar institution registered under the Banks Act for the purpose of the enterprise carried on in South Africa.</p> <p><i>Whilst it is not a requirement for a foreign electronic services supplier or non-resident intermediary to open a South African bank account in the circumstances explained above, a refund cannot be paid out unless the person has a banking account or account with a similar institution in South Africa. In the case of a non-resident, the transfer of the refund may be made into a holding company, a subsidiary or fellow subsidiary’s banking account or account with a similar institution in South Africa, upon written notification to the Commissioner and indemnification of the Commissioner against any loss as a result of such instruction. See section 44 and the VAT119i form on the <b>SARS website</b>.</i></p>

50.	Do I need to appoint a representative vendor in South Africa?	<p><u>Before 24 December 2024</u></p> <p>A foreign electronic services supplier or non-resident intermediary (see <b>Question 26</b>) were not required to appoint a representative vendor contemplated in section 46 in South Africa. However, in order to process your registration application, the particulars of the person (non-resident or resident) accountable/responsible for the business activities had to be completed under “representative vendor” part on the VAT101 form.</p> <p><u>On or after 24 December 2024</u></p> <p>A foreign electronic services supplier or non-resident intermediary is required to appoint a representative being a natural person, responsible for accounting for the receipt and payment of monies or funds in respect of any enterprise of the foreign electronic services supplier or non-resident intermediary, in the Republic. However, such natural person need not reside in the Republic.</p> <p>This relief is available only as long as the person complies with the conditions set out in <b>Question 49</b> above.</p> <p><u>Before, on and after 24 December 2024</u></p> <p>An intermediary, being a resident of South Africa, must appoint a natural person residing in South Africa as a representative vendor.</p> <p>A foreign electronic services supplier or intermediary not carrying on a business through a company in South Africa, or having an office in South Africa, is also not required to appoint a public officer contemplated in section 246 of the Tax Administration Act 28 of 2011.</p>
51.	What records must I keep if I register as a vendor and how long must I keep those records for?	<p>A record of all the goods and services supplied by or to you in sufficient detail to determine the rate of tax applicable to the supply, and the supplier or agents must be kept. This includes, for example, all invoices, tax invoices, credit and debit notes, bank statements, deposit slips etc.</p> <p>Records must generally be kept for five years.</p> <p>The records may be kept in electronic form. Records maintained in electronic form must be physically located in South Africa. Approval may however be granted to allow the retention of the electronic documents at a location outside South Africa, subject to certain requirements. See Public Notice 787 of 1 October 2012 for more detail.</p>
52.	When must I issue a tax invoice?	<p>You must issue a tax invoice within 21 days of the date of the supply. Also see <b>Questions 53</b> and <b>54</b>.</p>
53.	What is the date of the supply (time of supply) for purposes of accounting for output tax?	<p>The time of supply is generally the earlier of the time an invoice is issued, or payment is received [see section 9(1)]. Generally, for suppliers of electronic services, the issuing of the invoice and the payment will be on the same date. Output tax (that is, tax charged on the supply of electronic services) must be accounted for in the tax periods allocated to you. See <b>Question 57</b>.</p>

**Example 1**

*I am a non-resident and entered into a contract on 2 January 2019 with a customer in South Africa to provide electronic services from 1 June 2019 to 31 August 2019 for a single consideration. I issued the invoice on 1 May 2019 and received payment of the full amount subsequently.*

*A contract does not generally trigger the time of supply, unless it constitutes an “invoice” being a document notifying an obligation to make payment. The time of supply will therefore have been triggered by the invoice issued on 1 May 2019.*

*As the consideration related to the making of taxable supplies of electronic services that were to be performed from 1 June 2019 to 31 August 2019, you needed to take into account the value of these supplies in determining your registration liability date. If you were already registered, you would have been required to declare and account for VAT on these services whether or not you have included VAT in your contract price (see **Question 68**).*

Transitional rules also apply in certain instances. See **Question 69**. Furthermore, specific time of supply rules apply in the case of connected persons. See **Example 2** below.

**Example 2**

*I am a non-resident controlling group company and supply electronic services to resident controlled group companies (being “connected persons”), some of which are VAT registered vendors. In certain instances [as set out in section 10(4)], special time of supply rules will apply to transactions between connected persons. For example, in the case of services supplied (including electronic services), the special time of supply rule is triggered at the time the services are performed/delivered. In that case, you will be required to issue a tax invoice within 21 days of the services being performed/delivered.*

*The general time of supply rule and not the special time of supply rule will, however, apply when an invoice is issued, or payment is received on or before –*

- *the date that a return was submitted relating to the tax period in which the electronic services were electronically delivered/ performed; or*
- *the last day prescribed for submitting a return for that tax period.*

*In addition, the special time of supply rule for connected persons will not apply in a case where –*

- *the consideration could not be determined at the time the electronic services were electronically delivered/performed; and*
- *the recipient is entitled to deduct the VAT charged on those electronic services as input tax in full.*



**FAQs: Supplies of Electronic Services**

		<p><i>Foreign electronic services providers registered on the payments basis will account only for the supply when payment is received (see <b>Question 61</b>), provided the consideration in money in respect of the supply does not exceed R100 000. Should the consideration exceed that amount, you will be required to account for the supply on the invoice basis.</i></p>
54.	<p>What are the requirements for the issuing of a tax invoice in respect of electronic services supplied by foreign electronic services suppliers?</p>	<p>Foreign electronic services suppliers and intermediaries must issue tax invoices in relation to any electronic services supplied, containing the particulars prescribed in VAT Notice 1594 published in <i>Government Gazette</i> 45624 on 10 December 2021. In addition, Binding General Ruling (BGR) 28 “Electronic Services” sets out the –</p> <ul style="list-style-type: none"> <li>• minimum information that must be contained on a credit or debit note in order to satisfy the requirements of section 21(5);</li> <li>• exchange rate that must be applied in order to determine the amount of the VAT charged in the currency of the Republic; and</li> <li>• manner in which prices must be advertised or quoted,</li> </ul> <p>for the supply of electronic services by an electronic services supplier (being the person supplying electronic services contemplated in paragraph (b)(vi) and (vii), respectively, of the definition of “enterprise” in section 1(1)).</p>
55.	<p>What VAT rate must I charge on my supplies of electronic services?</p>	<p>The supply of electronic services is subject to VAT at the standard rate (currently 15%). See also <b>Questions 2</b> and <b>56</b>.</p>
56.	<p>Can I zero-rate my supply of electronic services to a person in South Africa?</p>	<p><b>No</b>, you are required to levy VAT at the standard rate on your supplies to persons in South Africa. The law does not provide for the zero-rating of electronic services supplied by foreign electronic services suppliers under any circumstances. Also see <b>Questions 2</b> and <b>55</b>.</p>
57.	<p>When must I account for VAT?</p>	<p>You are required to account for VAT and submit returns according to the tax periods allocated to you. Tax periods end on the last day of a calendar month. You may change your cut-off dates in certain instances. See BGR 19 “Approval to end a Tax Period on a Day other than the Last Day of the Month”, for further information.</p> <p>Vendors are generally registered on a two-monthly basis, being –</p> <ul style="list-style-type: none"> <li>• Category A ending on the last day of January, March, May, July, September and November;</li> <li>• Category B ending on the last day of February, April, June, August, October and December.</li> </ul> <p>You will be required to submit monthly VAT returns under Category C if the value of your taxable supplies exceeds R30 million in a consecutive period of 12 months.</p>

## FAQs: Supplies of Electronic Services

		Generally, VAT returns must be furnished, and payments made by the 25 <sup>th</sup> day of the first month commencing after the specific tax periods. However, vendors submitting returns electronically may submit their returns and make payments on the last business day of the month during which the 25 <sup>th</sup> day falls.
58.	How do I pay the VAT due?	Payments must be made electronically using the SWIFT MT103 payment method. See the <i>External Guide: Supply of Electronic Services by Foreign Suppliers and Foreign Intermediaries</i> for more detail.
59.	How do I submit and complete my VAT201 return?	It is compulsory for suppliers of electronic services and intermediaries to submit their VAT201 returns electronically. You must request the VAT201 return for the relevant tax period via eFiling and complete all the relevant information. Also see the <i>External Guide: Supply of Electronic Services by Foreign Suppliers and Foreign Intermediaries</i> for more detail.
60.	What type of VAT-inclusive expenses incurred qualify as deductible input tax?	You may deduct the VAT incurred on most supplies of goods or services (input tax), if VAT at the standard rate has been charged to you by South African vendors. It is a requirement that such goods or services are acquired for the purpose of supplying the electronic services to customers in South Africa. For example, consulting or accounting fees paid to South African vendors.
61.	On which accounting basis must I account for the VAT amount payable/refundable?	<p>Most vendors (see <b>Question 1</b>) are registered on the invoice basis. This means that you must account for VAT on all invoices issued during a tax period (value of supply), whether you have received payment or not. You may also deduct VAT on tax invoices received in respect of goods or services acquired during the tax period. Also see <b>Question 60</b>.</p> <p>The Commissioner may allow certain vendors, including foreign electronic services suppliers to register on the payments basis. From 1 April 2021, intermediaries may also apply to account for VAT on the payments basis. This means that you account only for VAT in respect of payments received in a tax period. Similarly, you may only deduct VAT on goods or services acquired from South African vendors to the extent that payment has been made in a tax period concerned.</p> <p>Before 21 August 2020, foreign electronic services suppliers were automatically registered on the payments basis. From 21 August 2020, foreign electronic services suppliers can opt to be registered on the invoice basis.</p> <p>Intermediaries already registered on the invoice basis may apply to be registered on the payments basis from a future date. If the consideration in money in respect of a supply of electronic services exceeds R100 000, that supply must be accounted for on the invoice basis by vendors registered on the payments basis. See <b>Example 2</b> in <b>Question 53</b>.</p>

**FAQs: Supplies of Electronic Services**

62.	Can I apply for a ruling to confirm that I am supplying electronic services?	Whether or not a person is supplying electronic services is a question of fact. SARS generally does not rule on questions of fact. Therefore, a ruling will generally not be issued as to whether or not a supply falls within the ambit of the relevant regulations. However, should a specific issue requiring the interpretation of the VAT Act not be dealt with in these FAQs, a formal application for a VAT ruling may be submitted to <a href="mailto:VATRulings@sars.gov.za">VATRulings@sars.gov.za</a> . Also see the <i>VAT Rulings Process Reference Guide</i> .
63.	I previously obtained a VAT Ruling relating to electronic services under the Original Regulations, or the Updated Regulations. Can I still rely on that ruling?	<b>No.</b> VAT Rulings cease to be effective when the provisions of the tax laws that are the subject of the VAT Ruling are repealed or amended. Rulings issued in respect of the Original Regulations, or Updated Regulations can therefore no longer be relied on if the subject matter of the VAT Ruling is affected by the subsequent amendments. Also see <b>Question 62</b> .
64.	I am a non-resident supplier of on-line training to employees of companies in South Africa. Am I supplying electronic services?	<b>Yes</b> , and you are required to register if the requirements in <b>Questions 24 and 30</b> are met, except if the supply falls within the ambit of educational services. See <b>Questions 13 and 16</b> .
65.	I supply on-line training as referred to in <b>Question 64</b> . I customise the training depending on the needs of each company. I therefore consult with the South African companies via e-mail during the design and creation phase of the training programmes. Are my services excluded from the ambit of “electronic services” due to the designing and creation phase involving substantial human intervention?	<b>No</b> , neither the Updated Regulations nor the 2025 Regulations, or the VAT Act contain an exclusion in respect of electronic services involving substantial human intervention. See <b>Question 7</b> .

<p>66.</p>	<p>I am a non-resident company that supplies on-line vocational training to the employees of resident companies. I am a “connected person” in relation to the resident companies but do not form part of the same group of companies. Am I supplying electronic services?</p>	<p><b>Yes</b>, the supply of vocational training to employees of a connected person is not excluded from the ambit of “electronic services”, unless such supply constitutes “educational services” as contemplated in <b>Questions 13</b> and <b>16</b>.</p> <p>From 1 April 2025, however, should you make supplies solely to VAT registered resident companies, your supplies are excluded from being “electronic services”. See <b>Questions 6, 13</b> and <b>14</b>.</p> <p>Persons that fall within the definition of “connected persons” do not necessarily fall within the ambit of “group of companies” (See <b>Question 20</b>).</p>
<p>67.</p>	<p>What happens if I was liable to register with effect from 1 May 2019, but I applied for registration after that date?</p>	<p>Your liability date remains 1 May 2019 and you must levy and account for VAT on electronic services supplied to South African customers from that date. All supplies made from the liability date will be deemed to include VAT at the standard rate under section 64, whether or not you have included VAT in the price charged to customers.</p> <p>Under section 92 of the TA Act, SARS must make an additional assessment, if satisfied that an assessment does not reflect the correct application of a tax Act that resulted in prejudice of SARS or the <i>fiscus</i>. Having regard to section 92 of the TA Act, an additional assessment must at any time be raised, including after an audit, subject to SARS being able to prove that the <i>fiscus</i> was prejudiced.</p> <p>As a general rule, further assessments may not be made in the case of self- assessment taxes for which a return is required, five years after the date of assessment of an original assessment (whether estimated or not). The exception to this rule is if the full amount of tax chargeable was not assessed due to fraud; intentional or negligent misrepresentation; intentional non-disclosure of material facts; or the failure to submit a return, then there is no limitation to the period of issuance of assessment. See section 99 of the Tax Administration Act 28 of 2011.</p> <p>If, as a result of the late registration, you end up paying your VAT late, then late payment penalties and interest for any tax periods covering the period from 1 May 2019 onwards will be payable.</p> <p>You can apply for the penalty to be waived if you have a good reason why payment was late. The waiving of interest will be considered only if you did not pay on time due to exceptional circumstances that were beyond your control. In either case, your application for remission of penalty and/or interest should be in writing.</p> <p>You may also consider making an application under the Voluntary Disclosure Programme (VDP). Visit the VDP Landing Page on the <b>SARS website</b> for more details.</p>

<p>68.</p>	<p>Was a foreign electronic services supplier able to increase the price that was charged to South African customers under existing ongoing contracts for the supply of electronic services concluded before these supplies became taxable (that is, 1 April 2019 under the Updated Regulations, or 1 June 2014 under the Original Regulations)?</p>	<p><i>Contract prices agreed by the parties</i> – Generally, the electronic services supplier (being a vendor) may increase the contract price and recover the additional VAT from the customer under an existing contract concluded before 1 April 2019 (or 1 June 2014 under the Original Regulations) if the supplies of electronic services will continue after that date. This rule applies even if any other law states otherwise. The supplier would not have been able to increase the price or recover the increase from the customer if the parties had specifically agreed in writing in the contract that it may not be increased.</p> <p>Whether the additional amount was recoverable from the customer or not, the foreign electronic services supplier had to account for VAT on any supplies of electronic services that became taxable on or after 1 April 2019 (or 1 June 2014, in the case of the Original Regulations) at the standard rate, subject to that supplier’s liability date (see <b>Question 30</b>).</p> <p><i>Prices set under an Act or regulation</i> – As mentioned above, generally a supplier may increase the contract price even if any other law states otherwise. However, if the Act or regulation concerned actually sets the price and contains an explicit statement that the amount may not be increased, then the price will stay the same and may not be increased until that other Act or regulation that sets the price is amended accordingly.</p>
<p>69.</p>	<p>Do any transitional rules apply to supplies of electronic services?</p>	<p><b>Yes.</b></p> <p><i>Supplies under the Original Regulations, and the Updated Regulations</i></p> <p>Section 67A contains transitional rules that apply to services, which became taxable under the Updated Regulations with effect from 1 April 2019. (These rules also applied in respect of electronic services under the Original Regulations, which became taxable from 1 June 2014). The transitional rules do not change the time of supply (see <b>Question 53</b>) but determine whether the supplies are taxable at the standard rate, or out of scope.</p> <p>The transitional rules apply in the following instances if the time of supply under section 9 is triggered on or after 1 April 2019:</p> <ul style="list-style-type: none"> <li>• Supplies performed before 1 April 2019</li> <li>• Supplies commencing before 1 April 2019 and ending on or after 1 April 2019</li> <li>• Supplies commencing and ending on or after 1 April 2019</li> </ul> <p><b>Example 1</b></p> <p><i>I am a non-resident and supplied on-line advertising services to a South African customer during March 2019. I only issued the invoice and received payment for the advertising services after 1 April 2019.</i></p>

		<p><i>Although the time of supply was triggered after 1 April 2019, the supply was not subject to VAT, as the supply was performed before the date on which VAT was imposed on a wider scope of “electronic services” under the Updated Regulations.</i></p> <p><b>Example 2</b></p> <p><i>I am a non-resident and entered into contracts with different customers in South Africa to provide electronic services (under the Updated Regulations), which supplies were not covered in the Original Regulations, for a single consideration for the following periods:</i></p> <ul style="list-style-type: none"> <li>• <i>2 January 2019 to 31 March 2019</i></li> <li>• <i>1 March 2019 to 31 May 2019</i></li> </ul> <p><i>I issued the invoices to the respective customers on 1 May 2019 and received payment of the full amount subsequently.</i></p> <p><i>See <b>Question 53</b> for the general time of supply rules.</i></p> <p><i>In terms of the transitional rules, the following apply:</i></p> <ul style="list-style-type: none"> <li>• <i>Services supplied from 2 January 2019 to 31 March 2019:</i></li> </ul> <p><i>You were not required to account for services performed before 1 April 2019, even if the time of supply was triggered on or after 1 April 2019. The services performed from 2 January 2019 to 31 March 2019 were therefore out-of-scope for VAT purposes;</i></p> <ul style="list-style-type: none"> <li>• <i>Services supplied from 1 March 2019 to 31 May 2019:</i></li> </ul> <p><i>You were required to apportion the value of the supplies on a fair and reasonable basis over the period 1 March 2019 to 31 May 2019. For example, assume you charged R1 500 000 for the period, a fair and reasonable basis would have been to allocate R500 000 to each month. R500 000 for the period 1 March 2019 to 31 March 2019 would have represented consideration in respect of out-of-scope supplies, whereas R1 000 000 for the period 1 April 2019 to 31 May 2019 would have represented consideration in respect of taxable supplies of “electronic services”. However, as you were likely to be required to only register as a vendor from 1 June 2019, only the amounts representing consideration for electronic services provided from 1 June 2019 would have been subject to tax at 15%.</i></p> <p><b>Supplies under the 2025 Regulations</b></p> <p>Section 67A contains transitional rules that apply to services, in respect of which tax is withdrawn under the 2025 Regulations with effect from 1 April 2025. The transitional rules do not change the time of supply (see <b>Question 53</b>) but determine whether the supplies are taxable at the standard rate, or out of scope.</p> <p>The transitional rules apply in the following instances if the time of supply under section 9 is triggered on or after 1 April 2025:</p> <ul style="list-style-type: none"> <li>• Supplies performed before 1 April 2025</li> </ul>
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		<ul style="list-style-type: none"> <li>• Supplies commencing before 1 April 2025 and ending on or after 1 April 2025</li> <li>• Supplies commencing and ending on or after 1 April 2025</li> </ul> <p><b>Example 3</b></p> <p><i>I am a non-resident and supply on-line advertising services exclusively to a South African VAT registered customer. These services are supplied monthly. In respect of the services supplied during March 2025, I only issued the invoice and received payment for the advertising services on or after 1 April 2025.</i></p> <p><i>Although the time of supply is triggered after 1 April 2025, the supply is subject to VAT, as the supply was performed before the date on which your supplies became excluded from the ambit of “electronic services” under the 2025 Regulations.</i></p> <p><b>Example 4</b></p> <p><i>I am a non-resident and entered into contracts with different VAT registered customers in South Africa to provide electronic services (under the Updated Regulations). All the supplies to residents I made were to VAT registered vendors. I continue to provide these services on or after 1 April 2025. Must I continue to charge VAT on these supplies? I charged a single consideration to each VAT registered customer for the following periods:</i></p> <ul style="list-style-type: none"> <li>• 2 January 2025 to 31 March 2025</li> <li>• 1 March 2025 to 31 May 2025</li> </ul> <p><i>See <b>Question 53</b> for the general time of supply rules.</i></p> <p><i>In terms of the transitional rules, the following apply:</i></p> <ul style="list-style-type: none"> <li>• <i>Services supplied from 2 January 2025 to 31 March 2025:</i></li> </ul> <p><i>You are required to account for services performed before 1 April 2025, even if the time of supply is triggered on or after 1 April 2025.</i></p> <ul style="list-style-type: none"> <li>• <i>Services supplied from 1 March 2025 to 31 May 2025:</i></li> </ul> <p><i>You are required to apportion the value of the supplies on a fair and reasonable basis over the period 1 March 2025 to 31 May 2025. For example, assume you charge R1 500 000 for the period, a fair and reasonable basis would be to allocate R500 000 to each month. R500 000 for the period 1 March 2025 to 31 March 2025 would represent consideration in respect of taxable supplies of “electronic services”, whereas R1 000 000 for the period 1 April 2025 to 31 May 2025 would not represent consideration in respect of any supplies made in the course or furtherance of an “enterprise”.</i></p> <p><i>You are liable to submit VAT returns until SARS notifies you that you are deregistered for VAT. See <b>Questions 38 and 73</b>.</i></p>
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70.	What does the term “imported services” mean?	<p>It is a supply of services by a non-resident conducting a business outside South Africa, to a recipient in South Africa, to the extent that the services are used or consumed in South Africa, otherwise than for the purposes of making taxable supplies. See also <b>Questions 71 and 72.</b></p> <p>“Electronic services” do not fall within the ambit of “imported services” to the extent that the supplier is conducting an “enterprise” in South Africa and is required to register as a vendor. See <b>Questions 24 and 30.</b></p> <p>For a further detailed explanation of the difference between electronic services and imported services, see <a href="#">VAT Connect Issue 15 (December 2022)</a>.</p>
71.	How do I pay VAT on imported services?	<p>You have to declare and pay the VAT on imported services to the extent that the value of the supply exceeds R100 per invoice.</p> <p>A non-vendor must calculate and pay VAT (via e-filing) on the “imported services” within 30 days (for imported services in respect of which payment was made or an invoice was issued before 24 December 2024) or 60 days (for imported services in respect of which payment was made or an invoice was issued on or after 24 December 2024) calculated from the earlier of the date an invoice is issued or payment is made. The VAT 215 (available on the SARS website) must be completed and retained by the recipient of the services for a period of 5 years together with the proof of payment.</p> <p>A vendor who acquires imported services must calculate and declare the VAT on the “imported services” on the VAT201 return in Field 12.</p> <p>See also <b>Questions 72 and 73</b> and <i>External Guide: Manage Value Added Tax on Imported Services</i>.</p>
72.	On what value is VAT payable on imported services?	<p>The value to be placed on imported services is the greater of the amount paid or the open market value thereof.</p> <p>See also <b>Questions 70 and 71.</b></p>



<p>73.</p>	<p>Can I deregister as a vendor if I no longer exceed the registration threshold?</p>	<p><b>Yes.</b> However, a temporary decrease in the value of taxable supplies will not impact your liability to remain registered. It is only if the value of taxable supplies for the preceding period of 12 months does not exceed the compulsory registration, and if that situation is likely to continue, that an application for deregistration can be directed to <b>eCommerceRegistration@sars.gov.za</b>. You must continue to submit returns, until you have been informed that you are deregistered (also see <b>Question 69</b>). A cancellation of a registration cannot be finalised until all outstanding obligations and liabilities have been resolved and settled.</p> <p>If you deregister as a result of no longer exceeding the registration threshold, or because you no longer make supplies of “electronic services” due to the amendments under the 2025 Regulations, you will be deemed under section 8(2) to make a supply of any assets that forms part of your enterprise prior to you ceasing to be a vendor.</p> <p>Foreign suppliers that deducted VAT on the acquisition of assets from vendors will thus be required to account for output tax by applying the tax fraction to the lesser of the cost of acquisition of the assets, or the open market value of the supply. If the foreign supplier was entitled only to a partial input tax deduction on acquisition, such supplier is now entitled to a deduction to the extent that the goods were applied in the making of non-taxable supplies, based on the lesser of the “adjusted cost” of the goods and the open market value of the goods at the time of deregistration [see sections 1(1) “adjusted cost”, 8(2), 8(16), 10(5) and 16(3)(h)].</p>
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