

SOUTH AFRICA – AUTHORITY OPTION CHANGES

AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH
DECEMBER 2020 CONTENT UPDATE #1

Introduction

This guide provides an explanation of the most recent changes made to Determination for the authority of South Africa, which were implemented in connection to the review of provisions regarding the application of reverse charge mechanism in the local tax law.

Considering the relevant regulations, the following authority option was changed, effective from 1 December 2020:

- **PP – Physical Performance Reverse Charge**
 - Condition activated as “Both”
 - Value activated as “Dual Registration”

As a result of these content changes, in case of B2B supplies of Physical Performance services, as well as other transaction types sharing its logic (including in particular CLS, DS and ES) Determination will return Tax Type of Reverse Charge (RC) for the Buyer and Not Liable (NL) result for the foreign Seller. Local tax will be returned for both B2B and B2C supplies of services if local registration (ZA) of the Seller is provided.

More test cases reflecting these changes may be found in the later part of this guide.

TAX RESULTS EXAMPLES

Test 1: B2B Physical Performance Services provided by a foreign entity to the ZA Buyer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------|
| Role | Buyer |
| Transaction Type | Physical Performance |
| Seller Primary | Germany |
| Buyer Primary | South Africa |
| Supply | South Africa |
| Seller Registration | DE123456789 |
| Buyer Registration | 4234567890 |

The image shows services provided by an entity to the buyer.

| Tax Calculation Results | | | | | | | | | | |
|--|--------------|---|----------|--------------|------|-----|-----|------|----------|-------|
| Scenario 2020 December 1st Update - South Africa PP RC Option Seller Non-Registered: | | | | | | | | | | |
| View Results: <input checked="" type="checkbox"/> | 1 | Gross Amount: 100.00 | Eff%: 0% | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT IT |
| Zone | Authority | Authority | | | RC | O | | 15% | 15.00 | |
| Country: SOUTH AFRICA | South Africa | VAT | | | RC | I | | 15% | 15.00 | |
| Country: SOUTH AFRICA | South Africa | VAT | | | | | | | 0.00 USD | |
| Authority Messages: | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | |
| South Africa | 10000 | GCBPP1: Reverse charge in Service location. | | | | | | | | |
| South Africa | 10000 | GCBPP2: Recovery of reverse charge in Service location. | | | | | | | | |

Test 2: B2B Physical Performance Services provided by a foreign, registered entity to the ZA Buyer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------|
| Role | Buyer |
| Transaction Type | Physical Performance |
| Seller Primary | Germany |
| Buyer Primary | South Africa |
| Supply | South Africa |
| Seller Registration | 4234567891 |
| Buyer Registration | 4234567890 |

The image shows the services provided by a registered entity to the buyer.

| Scenario 2020 December 1st Update - South Africa PP RC Option Seller Registered: | | | | | | | | | | | | | | | | | | |
|--|-------|--|--|--------------|--|------|-----|-----|------|---------|-----------|----|--|--|--|--|--|--|
| View Results: <input checked="" type="checkbox"/> Zone | | Gross Amount: 100.00 | | Eff%: 15% | | Type | Dir | Fee | Rate | Tax Amt | TT | IT | | | | | | |
| Country: SOUTH AFRICA | | Authority | | Invoice Desc | | S | I | | 15% | 15.00 | 15.00 USD | | | | | | | |
| <input type="checkbox"/> Authority Messages: | | | | | | | | | | | | | | | | | | |
| Authority RuleOrder Message | | | | | | | | | | | | | | | | | | |
| South Africa | 10000 | GCBPP5: Input VAT in Service location. | | | | | | | | | | | | | | | | |

Test 3: B2C Physical Performance Services provided by a foreign, registered entity to the ZA consumer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------|
| Role | Buyer |
| Transaction Type | Physical Performance |
| Seller Primary | Germany |
| Buyer Primary | South Africa |
| Supply | South Africa |
| Seller Registration | 4234567891 |
| Buyer Registration | None |

The image shows the services provided by a registered entity to the consumer.

| Scenario 2020 December 1st Update - South Africa PP RC Option Seller Registered: | | | | | | | | | | | | |
|--|--------------|--|-----|-----------|---|------|-------|-----------|------|---------|----|----|
| View Results: <input type="button" value="1"/> <input type="button" value="2"/> | | Gross Amount: 100.00 | | Eff%: 15% | | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Zone | Authority | Invoice Desc | VAT | S | I | 15% | 15.00 | 15.00 USD | | | | |
| Country: SOUTH AFRICA | South Africa | | | | | | | | | | | |
| <input type="checkbox"/> Authority Messages: | | | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | | | |
| South Africa | 10000 | GCBPP5: Input VAT in Service location. | | | | | | | | | | |

System Message: Buyer must register to recover input VAT in Service location.