

Treasury wants uniform e-commerce taxes

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The Treasury is looking to level the playing fields between local suppliers of e-commerce products and services and their foreign rivals, who do not pay VAT and therefore enjoy a 14% advantage that allows them to lower their prices.



Treasury chief director Cecil Morden told Parliament's finance committee of the plan on Wednesday (24 July).

Downloading a book or music from a local company carries a VAT charge but this did not apply to foreign suppliers.

A clause has been included in the draft Taxation Laws Amendment Bill that would compel foreign e-commerce suppliers to register for VAT if they supply South African residents. This would apply if the payment for the e-commerce product or service originated from a bank registered in SA.

But Morden said the proposed measures posed enforcement challenges. Countries around the world were struggling with levying taxes on the digital economy.

Tax base erosion

The Organisation for Economic Co-operation and Development had identified the digital economy as among the factors that contributed to the erosion of the tax bases for countries throughout the world.

Morden said the European Union and Australia had already taken steps to tax the digital economy. At present, foreign suppliers to the South African market were not compelled to register for tax because the VAT Act did not have a "place of supply" rule to allocate taxing rights to the country.

Recipients of e-commerce services from foreign companies supplied were required to self-assess the VAT on supplies received, but compliance with this obligation had been low. Foreign suppliers would now be forced to register for VAT irrespective of the aggregate value of supplies made in a 12-month period.

Democratic Alliance finance spokesman Tim Harris said it was not clear if the authorities had thought through the practicalities of the proposed measure. "The only way that SA can progress is if we co-ordinate with other countries through a multilateral approach" Harris said.

"The alternative could result in large e-commerce providers simply dropping SA as a market," he added.

Source: Business Day via I-Net Bridge

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