



South Africa issues draft notice on reportable arrangements

On 19 June 2015, the South African Revenue Service (SARS) issued a draft Public Notice on Reportable Arrangements.

It is proposed that where a nonresident renders technical, managerial or consultancy services (the terms are not defined) to a resident and meets the following requirements:

- ▶ The nonresident, its employees, agents, or representatives were or will be physically present in South Africa in rendering such services
- ▶ The expenditure in relation to the rendering of those services will exceed or exceeds R10m (approximately US\$823,557) in the aggregate

Such arrangement constitutes a reportable arrangement and must be reported to SARS within 45 business days after becoming "a reportable arrangement."

This means for example that where the employees of a nonresident multinational render consultancy services in South Africa to their clients in terms of a contract that exceeds R10m, details of the arrangement must be reported.

Failure to report may lead to penalties that are imposed for each month that the failure to report continues (penalties may range from R600,000 to R3.6m (approximately US\$49,414 to US\$296,487) which is dependent on whether the person is a participant or the promoter to the arrangement as well as the quantum of the tax benefit).

SARS may use the reportable arrangement mechanism to determine whether the multinational is registered for taxes such as income tax or value-added tax in South Africa and whether there is a permanent establishment in South Africa to which profits should be attributed.

Comments are due by 30 June 2015.

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