

Special tax measures for world cup

SPECIAL tax measures relating to the 2010 FIFA World Cup, which are deemed to have come into operation on April 1 last year, have been introduced by the Revenue Laws Amendment Act. These tax measures set out guidelines on how FIFA entities and its affiliates are taxed.

As part of the bid to host the world cup in 2010, the South African government issued various guarantees to Fifa. The special measures are introduced to give effect to the guarantees issued. The legislation is introduced to create what is described in the explanatory memorandum (to the act) as a “tax-free bubble”. To the extent that the tax-free bubble applies to the profit on goods sold or services rendered will not be subject to any form of income tax and Value-Added Tax (VAT) will be applied at the zero rate. The income tax provisions are described below. The VAT and customs and excise rules relating to the 2010 world cup are dealt with elsewhere in this issue.

In relation to these special measures, “championship” means all matches and ceremonies of the 2009 Confederations Cup and the 2010 Fi-

fa World Cup and other directly related events, including draws, galas, conferences and cultural events; “championship duration” means the period commencing one week before the opening ceremony and terminating immediately after the closing ceremony of the 2009 Confederations Cup and the 2010 Fifa Soccer World Cup respectively; and reference to any specific entity includes any affiliated entity which is at least 20% held and whose activities are also directly connected to the championship.

Fifa, its subsidiaries and all participating National Associations (other than the South African Football Association, or Safa) are exempt from taxes, duties, levies and other amounts that may be imposed under the acts administered by the commissioner. The entities are deemed not to have permanent establishment in SA by virtue of any activities carried on in the country that relate to the championship. The exemption applies to the extent that the activities of the entities are related to the championship. Any person who is liable to pay any amount to Fifa, its subsidiaries and partic-



ipating national associations (other than Safa) is not required to withhold any amount from the payment in terms of section 35 (withholding tax on royalties), section 35A (withholding tax on payments to non-resident sellers of immovable property) and Part III A of Chapter II (taxation of foreign entertainers and sportspersons) of the Income Tax Act.

However, the general exemption does not apply to the following taxes: fuel taxes; excise duties; plastic bag levy; air passenger departure tax; lo-

cal government taxes (including property rates) and provincial taxes (gambling taxes and motor vehicle licence fees)

Fifa, its subsidiaries and participating national associations (other than Safa) are not required to register with the commissioner as an employer or to deduct or withhold any employees' tax. The entity must provide the commissioner with a list of names, identification numbers and addresses of all its employees who are residents of SA. Such residents would be deemed to be pro-

visional taxpayers.

The entities must, however, comply with provisions of the Unemployment Insurance Contribution Act and Skills Development Levies Act to the extent that those laws apply in respect of any employees of that entity.

Any receipt or accrual by all other entities affiliated with Fifa is excluded from “gross income”, to the extent that it is derived by that person from the sale of any consumable or semi-durable goods, or from any service rendered by that entity, within certain parameters. These entities are:

- Commercial Affiliates, being Fifa partners, Fifa world cup sponsors, national supporters and branded licensees;
- Licensees;
- Host broadcasters, broadcasters or broadcast rights agencies;
- Merchandising partners;
- Fifa designated service providers;
- concession operators;
- Hospitality service providers; and
- The nominated Fifa flagship store operator.

TO QUALIFY for exclusion, the services must be intrinsic to the staging of the championship, should be enjoyed or partially utilised at a championship site and paid for by an individual member of the general public or by Fifa, a Fifa subsidiary or the local organising committee.

The exclusion only applies where the sale of goods or services rendered takes place at the official Fifa stadiums, exclusion zones and parking areas (during the championship), training sites (on training days), public viewing venues (on match days) and the Fifa flagship store (for a period of six months pri-