
South Africa proposes 15% withholding tax on cross-border service fees, delays introduction of withholding tax on interest

March 20, 2013

In brief

The South African Minister of Finance announced in his 2013 budget speech a proposal to introduce a 15% withholding tax on cross-border service fees effective March 1, 2014. The Minister also announced a proposal to delay the effective date of a new withholding tax on interest from July 1, 2013, to March 1, 2014. These developments should interest US multinationals that earn fees and interest from South Africa.

In detail

South Africa does not levy withholding tax on fees paid by a South African resident to a non-resident. South African withholding taxes apply only to dividends, royalties and payments to visiting sportsmen and entertainers.

On February 27, 2013, the Minister of Finance announced a government proposal to extend the withholding regime to cross-border service fees. Under the proposal, the tax would be levied at a 15% rate and the new withholding tax

regime would take effect on March 1, 2014.

The Minister also announced a proposal to delay the introduction of a withholding tax on interest (which is scheduled to take effect on July 1, 2013) until March 1, 2014.

The takeaway

Taxpayers deriving fees and interest from South Africa, particularly through entities resident in countries with no tax treaty with South Africa should consider how the new and

delayed withholding taxes will affect their operations and plan accordingly.

Although the rules for withholding tax on fees have not been drafted, factors such as the place where the services are physically rendered and availability of tax credits in the recipient's country of residence may be relevant in assessing the impact of the new tax on the cost of doing business in South Africa.

Let's talk

For a deeper discussion, please contact:

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