



# MoneyTalk

## Tax-free 'Bubble' for 2010 World Cup

AS PART of hosting the FIFA World Cup 2010, the South African government has issued certain tax concessions and guarantees to FIFA. Mabutho Mthembu, a PricewaterhouseCoopers consultant, says that government has established what is becoming known as a "tax-free bubble" concept.

"The tax relief within the bubble applies to both non-residents and residents, but it will be restricted to 'qualifying persons' within the realm of the FIFA-designated sites."

With regard to Value Added Tax, this means that VAT on supplies of goods and services made within these FIFA-designated sites will be zero-rated, but the input tax on the supplies will be claimable by the vendors concerned.

Mthembu says that revenues generated by the vendors should then increase significantly, considering that they would claim input tax on expenses incurred in the process of making zero-rated taxable supplies.

Mthembu says that the applicability of the "tax-free bubble" concession will vary according to different categories of the FIFA-designated sites. "For example, in relation to the stadia, championship press centres, television centres and VIP areas, the concession will operate for the period commencing one week before the 2009 Confederations Cup and end immediately after the closing ceremony. A similar period will be allowed for the 2010 FIFA World Cup," explains Mthembu. With regard to the training sites for participating teams, the concession will only be allowed during official FIFA sanctioned training days, at the training sites.

"For public viewing venues in official host cities, the bubble operates during match days only. With FIFA flagship stores, the bubble will be effective for six months before the 2009 Confederations Cup and end one month after the closing ceremony of the 2010 FIFA World Cup."

Mthembu says that those benefiting most from the bubble concept will be the foreign service providers temporarily rendering services

to FIFA in SA. "A small contingent of local businesses will also benefit from the tax-free bubble, considering that the supplies will have to be made within the FIFA-designated sites. The public must remember that taxable supplies made outside any of the designated sites will be subject to the normal VAT charge."

Goods imported into the Republic by qualifying persons for the purposes of the 2010 FIFA World Cup will not be subject to import taxes such as customs duty and will not attract VAT.

But Mthembu warns that businesses will have to ensure that the supply of imported products does not outstrip the demand. "There are conditions attached to importing goods into the Republic. If the vendor fails to sell, use or export the imported goods or services within a certain timeframe, the previously exempt VAT and customs duty then become payable."

Mthembu says that SAFA will have to implement a fair, transparent and equitable system to ensure that emerging businesses also enjoy the fruits of the tax benefit. "The World Cup will provide a major impetus for growth to small businesses if they can play a substantial role in this event."

On the controversial issue of ticket prices, there will be no tax-relief as all ticket sales will be subject to VAT at the standard rate of 14 per cent. But those buying souvenirs should benefit, as vendors falling within the bubble should charge like-for-like prices that are lower than those charged by vendors falling outside the bubble.

SARS will have to ensure that vendors qualifying for the VAT exemption do not include the VAT component in their selling prices, because that will result in a double benefit, going against the intention of the concessions.

The Revenue Laws Amendment Act, which will give effect to such tax exemptions and benefits, was enacted by the President of the Republic on 7 February 2007.

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