

Amendment Act 20 of 2006

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Supportive financial environment

The Revenue Laws Amendment Act 20 of 2006 gives effect to the [guarantee](#) [2] that FIFA would be assured of a supportive financial environment for the 2010 World Cup.

The Act covers customs and other taxes, and exemptions from certain duties and levies. It also allows certain FIFA officials to import to and export from South Africa the foreign currency linked to the tournament.

The tax bubble

The Act creates a “tax-free bubble” around FIFA-designated sites so that profits on consumable and semi-durable goods sold within these areas will not be subject to income tax; neither will VAT be applied.

This “tax bubble”, a condition for the hosting of the tournament, is something all World Cup host countries must provide. It means that FIFA, FIFA subsidiaries and the participating national associations (excluding SAFA) will – when it comes to VAT on goods and services directly relating to the tournament – be treated as diplomatic missions are treated.

The tax bubble will apply to concession-operated outlets such as those selling food, beverages or merchandise within these designated sites. Certain services will also receive these exemptions – provided these services are necessary for the staging of the tournament; are bought within the designated sites; and are paid for by members of the public, FIFA or LOC officials.

The exemptions apply to South African residents and non-residents, and will apply only in respect of income tax and VAT, which will be zero-rated on goods and services.

However, expenses incurred in the production of this exempt income will not be permitted as deductions for income tax purposes, and a reasonable allocation of expenses attributable to the exempt sales must be made.

Tax-free sites

The FIFA-designated sites will include:

- the ten World Cup stadiums
- any FIFA-designated exclusion zone
- any official tournament parking area
- press and television centres set up for the tournament (including the International Broadcast Centre)
- certain training sites during official FIFA-sanctioned training days at those sites
- official host city public viewing venues (also known as fan parks)
- certain areas for VIPs
- any other area or facility utilised for official 2010 events as agreed in good faith between FIFA and SARS

FIFA will also have a flagship store that will be considered a tax-free bubble for six months before the 2009 Confederations Cup until one month after the closing ceremony of the 2010 tournament. However, no tobacco

products or cosmetics may be sold, and any alcoholic beverages sold must be consumed on the site.

FIFA shops and outlets outside of the designated sites will be subject to normal tax rules, and FIFA, its subsidiaries or any participating national association will also be liable to SARS for the payment of VAT collected on the sale of off-site hospitality or accommodation.

Exemption dates

The periods for these exemptions begin one week before the kick-off of the Confederations Cup and end immediately after the closing ceremony. The same applies for the 2010 tournament: the exemptions run from one week before the kick-off of the first match – which will be on 11 June – and end immediately after the closing ceremony of 11 July.

Import-tax relief

Separately, under the dedicated legislation, certain persons will qualify for import-tax relief on certain goods where these are re-exported. Included are qualifying persons from:

- FIFA
- FIFA subsidiaries
- FIFA national associations (except for SAFA)
- FIFA confederations

Others who qualify for import-tax relief are:

- certain media representatives
- individuals from certain commercial affiliates and FIFA merchandising partners
- certain licensees
- the FIFA flagship store operator
- FIFA-designated service providers
- the pitch importer, concession operators, hospitality providers, design services, event management and marketing operations services, and office suppliers
- the host broadcaster, other World Cup broadcasters and broadcast rights agencies

For more information on who qualifies, see the explanatory notes on the Revenue Laws Amendment Bill of 2006 (provided by the [Treasury](#) [3]) or contact the [South African Revenue Service](#) [4] , by:

- phoning the National Call Centre on 0860 12 12 18
- phoning the Tax Exemption Unit on 012 422 8800 teu@sars.gov.za [5]
- emailing the Tax Exemption Unit at teu@sars.gov.za [5]

Ticket sales

Ticket sales will be subject to VAT at the standard rate of 14% and FIFA, its subsidiary or any participating national association will be liable to SARS for the payment of VAT on the sale of tickets.

Abuse

The legislation guards against possible abuse. The Revenue Laws Amendment Act states: "Where any person

abuses one or more of the exemptions or concessions contemplated in this agreement by misrepresenting the purpose of an import, overstating sales within a tax-free bubble, understating purchases or expenses in respect of sales in a tax-free bubble or by any other method, SARS may withdraw that person's entitlement to any of the exemptions and concessions, in consultation with FIFA.”

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