

Bill outlines tax breaks for 2010 World Cup

New provisions providing tax exemptions for the 2010 Fifa World Cup have been included in the draft Revenue Laws Amendment Bill, which gives effect to this year's national budget proposals.

The new provisions would take retrospective effect from April 1 this year and stipulated that anyone found abusing them would lose them, Parliament's finance committees was told yesterday by South African Revenue Service (SARS) officials.

The tax proposals include an innovative provision to use some of the value added tax (VAT) proceeds on the sale of tickets and hospitality services to subsidise match ticket prices for supporters. The proceeds would be channelled through the budget of the sport and recreation department.

Income derived by nonresidents from the event will not be subject to income tax but this will not include soccer team members, who will be subject to a withholding tax on foreign sports people. Others who would have to pay tax on income derived from the event would be the directors and staff of the South African Football Association and directors and personnel of the local organising committee.

All countries which submitted bids for the 2010 World Cup were required to sign guarantees ranging from visa requirements to safety and security, as well as two guarantees related to taxation, SARS officials said.

After extensive negotiations with Fifa, government signed a memorandum of understanding which included revised tax guarantees. The effect of the tax proposals would be to create a "tax-free bubble" which would restrict tax concessions to prescribed areas (stadiums, training sites, the Fifa flagship store) for a limited period before and during the 2010 World Cup.

In terms of the agreements and provisions in the bill, Fifa and its national associations and subsidiaries will be exempt from taxes in SA save VAT, embedded taxes such as the fuel and excise levies, and unemployment insurance and the skills development levy for its employees.

Fifa-related commercial affiliates would be allowed to import goods related to the 2010 Soccer World Cup free of duties.