



# Tax & Legal Flash



January 2021

## VAT implication of secondments

It is common practice within groups of companies (including multinationals) to second employees between entities for various reasons, e.g. operational, financial, specific skills and experience requirements, etc. Such secondments may have VAT implications which are often overlooked, resulting in unexpected exposures and financial implications.

Where salaries of seconded employees are recovered from the entities they were seconded to, the following must be considered:

- Where a foreign employer contractually remains the “employer” of employees seconded to a South African entity, the foreign employer is providing a service to the South African entity and may be required to register for VAT and account for output tax;
- Where employees are seconded between South African group entities, the employer may be required to account for VAT on the supply made to its fellow group entity;
- Where a South African employer seconds employees to a foreign entity, the South African employer may be entitled to apply the zero rate of VAT to the services supplied, subject to certain documentary requirements

The VAT implications resulting from secondments are not directed by “who pays the salary” but rather by the contractual relationships between the employer/s and

employee/s. It is therefore very important to consider the secondment contracts/agreements and the effect thereof from a VAT perspective.

An entity will be exposed to VAT, penalties and interest where –

- VAT has not been correctly levied and paid to SARS;
- An entity has failed to register for VAT timeously;
- The zero rated provisions have not been correctly applied; and/or
- The required documentation to substantiate the application of the zero rate was not obtained within the prescribed period.

Should you have any queries or require any assistance relating to the above, please do not hesitate to contact us.

#### Contact us



**Erina Cooper**  
Director: Indirect Tax (VAT)  
KPMG South Africa  
Email: [erina.cooper@kpmg.co.za](mailto:erina.cooper@kpmg.co.za)  
M: +27827195758



**Anzulette Bezuidenhout**  
Associate Director: Indirect Tax (VAT)  
KPMG South Africa  
Email: [anzulette.Bezuidenhout@kpmg.co.za](mailto:anzulette.Bezuidenhout@kpmg.co.za)  
M: +27827162690



**Martin Delport**  
Associate Director: Indirect Tax (VAT) – Cape Town  
KPMG South Africa  
Email: [martin.delport@kpmg.co.za](mailto:martin.delport@kpmg.co.za)  
M: +27827191948



**Tshidi Ngcobo**  
Tax Consultant: Indirect Tax (VAT)  
KPMG South Africa  
Email: [tshidi.ngcobo@kpmg.co.za](mailto:tshidi.ngcobo@kpmg.co.za)  
M: +27827190379

Regards  
KPMG Tax & Legal

---

[Privacy](#) | [Legal](#)

[kpmg.co.za](http://kpmg.co.za)

© 2021 KPMG Services Proprietary Limited, a South African company with registration number 1999/012876/07 and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

