




The Taxation of Income Received by South African Residents operating in the Digital Economy

AUTHOR & INSTITUTION

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RESEARCH BACKGROUND

- The digital economy is redefining how individuals earn income through borderless, platform-based, and remote work arrangements
- Current legislation, including traditional concepts of geographic nexus, physical workplaces, and employer-withholding mechanisms, is not fit for the digital economy.

RESEARCH QUESTIONS



- Does South Africa's current tax framework adequately cater for income earned by individuals operating in the digital economy?
- What are the tax implications and compliance challenges faced by individuals operating in the digital economy?

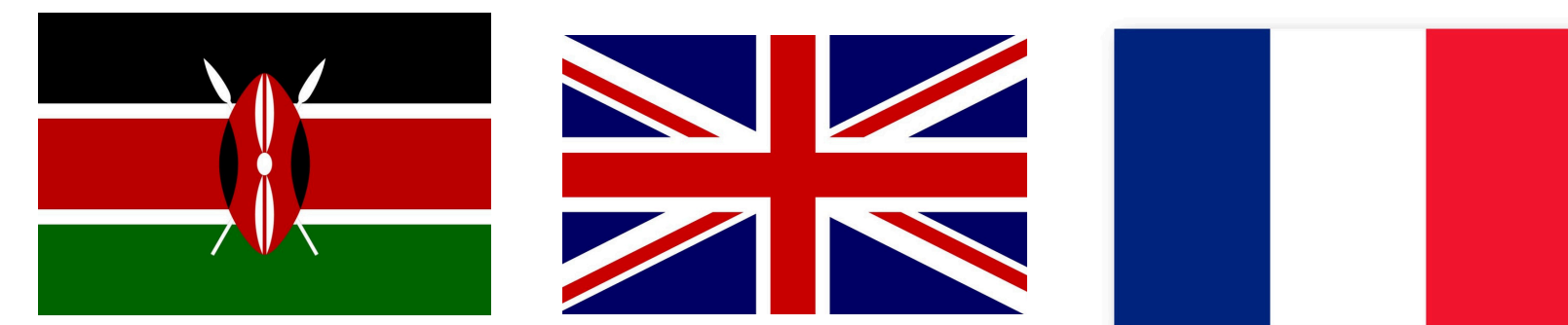
RESEARCH OBJECTIVES

- Evaluate legislative adequacy and structural challenges of current legislation in the digital economy era.
- Analyse the fourth schedule compliance gaps
- Conduct comparative jurisdictional analysis.

RESEARCH OBJECTIVES

Mixed method approach:

- Qualitative research method - Doctrinal legal method.
- Comparative research method.



PRELIMINARY FINDINGS

Nexus framework mismatches (Residency and PE risks)

- The reliance of the residence definition on physical presence tests fails to capture individuals operating in the digital economy.
- Unintended PE exposure for the individual and their "employers."



Allocation of taxing rights

- Current rules create double taxation or double non-taxation risks.



Classification gaps:

- Statutory definitions of "employer," "employee", and "remuneration" fail to classify digital nomads and gig workers correctly.



International treaty misalignment (OECD MTC and UN MTC articles 4, 5, and 15):

- Articles 4, 5, and 15 collectively govern cross-border labor jurisdiction, defining individual tax residency (Art. 4), what constitutes a PE (Art. 5), and source taxing rights on employment income (Art. 15).

PROPOSED POLICY REFORMS

- Modernised domestic legislation
- International treaty alignment (OECD MTC and UN MTC)
- Taxpayer-Centric Compliance Strategy (The Compliance Literacy Framework)

