



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

PUBLICATION OF THE 2020 DRAFT TAX BILLS, DRAFT REGULATIONS PRESCRIBING ELECTRONIC SERVICES, VENTURE CAPITAL COMPANY SURVEY TO GIVE EFFECT TO 2020 BUDGET AND EXTENSION OF SOME COVID-19 RELIEF TAX MEASURES

The National Treasury and the South African Revenue Service (SARS) today publish, for public comment, the 2020 draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (2020 draft Rates Bill), the 2020 draft Taxation Laws Amendment Bill (2020 draft TLAB), the 2020 draft Tax Administration Laws Amendment Bill (2020 draft TALAB) and the draft Regulations Prescribing Electronic Services. The 2020 draft Rates Bill was first published on Budget Day (26 February 2020) but is published for the second time in order to solicit any public comments on the tax proposals contained therein. These draft Tax Bills contain tax proposals made in the 2020 Budget on 26 February 2020.

The draft TLAB and TALAB also include the proposed introduction of an export tax on scrap metals (i.e. ferrous metals, aluminium, red metals and other waste and scrap metals) at the rates as was announced in the 2020 Budget to replace the current price preference system. The proposed export tax rates as recommended by ITAC are shown in the table below. We would like to invite further comments from the public and key stakeholders on the tax, the tax base and the rates for each scrap metal category.

Scrap metal category	Equivalent specific tax (Rand per tonne)
Ferrous metals (including stainless steel)	R1 000.00 per tonne
Aluminium	R3 000.00 per tonne
Red Metals	R8 426.00 per tonne
Other (waste and scrap metals)	R1 000.00 per tonne

These draft Bills are separate from the COVID-19 Tax Bills, which were introduced in Parliament on 24 June 2020 and dealt with exceptional tax measures required to combat the COVID-19 pandemic. This is because the COVID-related lockdown took place after the Budget, and hence the subsequent tax announcements related to COVID are dealt with in separate bills. The draft Tax Bills will be introduced in Parliament later this year. The Notice on Regulations Prescribing Electronic Services

will be published in the Government Gazette after taking into account public comments to be received.

For legal reasons, the draft tax amendments continue to be split into two types of bills, namely a money bill (section 77 of the Constitution) dealing with money bill issues and an ordinary bill (section 75 of the Constitution) dealing with issues relating to tax administration.

After receipt of written comments, National Treasury and SARS normally engage with stakeholders through public workshops to discuss the written comments on the draft Tax Bills. However, due to the national lockdown regulations as a result of the COVID-19 pandemic, further information will be provided on the manner and platform of public engagement for purposes of discussing the written comments. The Standing Committee on Finance (SCoF) and the Select Committee on Finance (SeCoF) in Parliament are expected to make a similar call for public comment and convene public hearings on the 2020 draft TLAB and TALAB before their formal introduction in Parliament. Thereafter, a response document on the comments received will be presented at the parliamentary committee meetings, after which the draft bills will then be revised, taking into account public comments and recommendations made during committee hearings, before they are tabled formally in Parliament for its consideration.

The 2020 draft Rates Bill contains tax announcements made in Chapter 4 and Annexure C of the 2020 Budget Review that deal with changes to the rates and monetary thresholds and increases of the excise duties. The 2020 draft TLAB and TALAB provide the necessary legislative amendments required to implement the more complex tax announcements made in Chapter 4 and Annexure C of the 2020 Budget Review (and not dealing with a simple change in a rate or threshold of a tax) that requires greater consultation with the public.

Key tax proposals contained in the 2020 draft Rates Bill include the following:

- Changes in rates and monetary thresholds to the personal income tax tables
- Adjustment of transfer duty rates to support the property market
- Increases of the excise duties on alcohol and tobacco

Key tax proposals contained in the 2020 draft TLAB include the following:

- Proposed introduction of export taxes on scrap metals
- Tax measures required as a result of the modernisation of the foreign exchange control system
- Aligning the carbon fuel levy adjustment with the Carbon Tax Act
- Allowing a carbon tax “pass through” for the regulated liquid fuels sector
- Addressing an anomaly in the tax exemption of employer provided bursaries
- Clarifying rollover relief for unbundling transactions



- Consequential amendments as a result of 2019 changes to section 72 of the VAT Act

Key tax proposals contained in the 2020 draft TALAB include the following:

- Amendments enabling the proposed introduction of an export tax on scrap metals
- Removal of the requirement to prove intent with regard to certain offences listed in the Fourth Schedule to the Income Tax Act, the Value-Added Tax Act and the Tax Administration Act
- Refusal to authorise a refund where returns are outstanding under the Skills Development Levies Act and the Unemployment Insurance Contributions Act
- Withholding of a refund pending a criminal investigation
- Estimated assessments where relevant material requested by SARS has not been supplied

Key tax proposals contained in the draft Regulations Prescribing Electronic Services include the following:

- Amendments to the definition of “telecommunication services”

Venture Capital Company (VCC) survey

- All VCCs registered with SARS as at 1 March 2020 are requested to submit to the Minister of Finance information prescribed in the survey as mandated in terms of section 12J(10) of the Income Tax Act, 1962. The information will be considered in determining the extent to which the VCC tax incentive contributes towards Government’s policy objectives of facilitating funding for small businesses that cannot obtain financing from financial institutions, economic growth and job creation. This follows the announcement in Annexure C of the Budget Review 2020 that Government will review the effectiveness, impact and role of this regime to ascertain whether the incentive should be discontinued.

The 2020 draft Tax Bills, the accompanying draft Explanatory Memoranda containing a comprehensive description of the proposed tax amendments contained in the 2020 draft TLAB and TALAB, the draft Regulations Prescribing Electronic Services and the VCC survey can be found on the National Treasury (www.treasury.gov.za) and SARS (www.sars.gov.za) websites. More general information underlying the changes in rates, thresholds or any other tax amendments can be found in the 2020 Budget Review, available on the National Treasury website.



Due date for public comments on the 2020 draft Tax Bills, draft Regulations and VCC survey

National Treasury and SARS hereby invite comments in writing on the 2020 draft Rates Bill, the 2020 draft TLAB, 2020 draft TALAB and the draft Regulations Prescribing Electronic Services. Furthermore, VCCs are requested to complete the VCC survey. Please forward written comments and the completed VCC survey to the National Treasury's tax policy depository at 2020AnnexCProp@treasury.gov.za and SARS at acollins@sars.gov.za by close of business on **31 August 2020**.

Extension of some COVID-19 Tax Relief measures contained in the COVID-19 Tax Bills

On 24 June 2020, the Minister of Finance tabled the COVID-19 Tax Bills before Parliament for consideration. The COVID-19 Tax Bills provide the necessary legislative amendments required to implement the tax measures to combat the COVID-19 pandemic, following announcements by the Minister of Finance on 29 March 2020, 23 April 2020 and 24 June 2020 in the 2020 Supplementary Budget. The measures in the COVID-19 Tax Bills are proposed to take effect on 1 April 2020 and 1 May 2020 and apply for a limited period of four months, ending on 31 July 2020 and 31 August 2020, respectively. The COVID-19 tax measures proposed in the COVID-19 Tax Bills are over and above the tax proposals made in the 2020 Budget on 26 February 2020 that are contained in the 2020 draft Rates Bill and the 2020 draft TLAB and TALAB that are published today for public comment.

After careful consideration of the written public comments, and presentations made by the stakeholders during the public hearings convened by the SCoF and SeCoF in Parliament on 22 July 2020 on the COVID-19 Tax Bills, as well as the potential impact on the fiscal framework that has been approved by Parliament, the Minister of Finance will, in terms of the Money Bills Amendment Procedure Act where necessary, make a request to the SCoF for the extension of the following COVID-19 tax relief measures:

- *Streamlined special tax dispensation for funds established to assist with COVID-19 disaster relief efforts*
 - This tax relief provides a special tax exemption for COVID-19 relief funds for a period of four months from 1 April 2020 to 31 July 2020. It is proposed that the four month period be extended by two months to six months. As a result, this relief will cease to apply on 30 September 2020.

- *Deferral of the payment of employees tax liability for tax compliant small to medium sized businesses*
 - This tax relief permits tax compliant small to medium sized businesses to defer payment of 35 per cent of the employees' tax they have deducted from their employees in the four months from 1 April 2020 to 31 July



2020. It is proposed that the four month period be extended by one month to five months. As a result of this extension, repayments on the deferred tax will now only begin in October 2020 and run through until March 2021.

- *A 90 day deferral for the payment of excise taxes on alcohol and tobacco*
 - This relief permits compliant businesses to defer the payment of excise taxes on alcohol and tobacco by 90 days in order to assist them in respect of payments to be made in May and June 2020. It is proposed that a 90 day deferral to assist compliant businesses in respect of payments of excise taxes on alcohol to be made in August and September of 2020 be introduced. It is proposed that the deferral in respect of payments of excise taxes on tobacco originally to be made in May and June 2020 be extended to 150 days. These deferrals will be effected through Customs and Excise Act Rules to be published by SARS.

Additional tax proposals aimed at mitigating the effects of the COVID-19 pandemic, which have been made by commentators and are not included in the COVID-19 Tax Bills, will be considered based on their potential impact on the fiscal framework that has been approved by Parliament, amongst other criteria. In view of the fact that the tax impact of many of these additional tax proposals will be realised when taxpayers file their tax returns at the end of the year of assessment, it is proposed that any potential consideration of these additional tax proposals be accommodated in a second batch of the 2020 draft TLAB.

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