Budget 2024

MEMBER ANALYSIS

22 February 2024

REFLECTIONS

#SABudget_2024

SAICA DIFFERENCE MAKERS™

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1. FOREWORD BY SAICA CEO

The President used his 2024 SONA to reflect on what government has achieved over the last 30 years. Similarly, SAICA has chosen REFLECTIONS as the theme for our Budget 2024 analysis, where we evaluate what has been achieved to better enable adding our members' voice to where we are heading as a country.

In his Budget Speech today, the Minister of Finance quoted two prominent economists, in saying that "A crude distinction between economics and politics would be that economics is concerned with expanding the pie while politics is about distributing it".

In 2024, 70 countries representing 4 billion people will go to the polls to vote, including South Africans who head to the polls on 29 May 2024. Their voices will determine the pathways for their elected officials, and they too will reflect on why they should or should not elect particular representatives. The Budget of each country and how it enables and benefits them as a society, will be a critical part of their reflections.

Efficient and non-burdensome tax collection practices will be important to ensure continued attractiveness and ease of doing business in South Africa.

The accountancy and various other professions, have a key role to play in partnering with the government in achieving the collective discipline of responsible spending and policy implementation to ensure sustainable growth of our economy.

We are pleased that education continues to have a significant allocation as it is significant to the future and growth of not just our profession but to address the economic and social challenges in our country. As such the spending for greater impact needs improvement and continued collaboration with the private sector to collectively address the challenges in various sectors is of paramount importance.

In the 2019 SONA, the President stated "*the truth is often first ridiculed, then opposed and finally accepted as self-evident*". For SAICA, it is also important that the Budget is analysed with the relevant truth of the facts so that the truth, if spoken enough, can be accepted as self-evident to everyone. SAICA and its members will therefore also endeavour to truly achieve the Nation's dream for Tintswalo, democracy's child and in particular, support for the financial markets and public finances that will fund this dream.

2. GLOBAL ECONOMY OVERVIEW

2.1 WHAT WE CAN EXPECT

The Minister has based his budget projections on the global economy growing faster (3,1% (2024) - 3,2% (2025)) than projected last year, and global inflation coming down quicker (from 2,6%-2%). This conclusion means the Minister believes that revenue will be higher than we thought in Mid-Term Budget Policy Statement (MTBPS) and that debt costs will be lower.

This however contradicts the United Nations (UN) January 2024 predictions that the global economy growth estimates will in fact decline from 2,7%-2,4%. The U.N.'s report warned that the prospects of prolonged tighter credit conditions and higher borrowing costs present "strong headwinds" for a world economy saddled with debt, especially in poorer developing countries needing investment to resuscitate growth. Global recession was mainly avoided in 2023 due to the United States' (US) economic growth. Most of the positive projections will also be based on the US Federal Reserve cutting interest rates, a matter on which positivity and timing has been declining in the last 6 months. US Inflation is still above the 2% target at 3,4%, with services inflation rising even while goods inflation is declining slowly.

The Minister has also projected a decline in food and fuel inflation (4,9% in 2024 and 4,6% in 2025). This seems in stark contradiction to the inflation rise announced this week, which was higher than expected at 5,3% and the fuel price increase of R1,46 for diesel next month (this after an increase last month). His assumptions therefore seem very optimistic. Furthermore, with no near-term solution for the port chaos, where ships take 28 days to dock in Durban, now ranked 341 out of 348 harbours and for which additional surcharges are now applied by shipping companies. The same can be said for road and rail freight costs, which means logistics inflation will not be cooling, and neither will energy costs given Eskom's 12,74% increase request for 2025. This is confirmed by the Budget, as it expects a larger current account deficit due to a decreased exports which were constrained by ports, rail and energy.

The lack of consumer spending room is reflected in the Budget's own estimate that household consumption will decline more than what was estimated in the MTBPS 2023. He furthermore projects growth in capital formation to further contract, as will investment growth due to low business confidence and challenging business conditions. None of these will improve in the short term.

Reflecting on the above, there seems to be too many contradictions in the global outlook to share the Ministers positive outlook, which was used as the basis to further raise expenditure, especially on salaries (i.e. a sunken cost).

3. BUDGET OVERVIEW & ANALYSIS

3.1 BUDGET OVERVIEW

3.1.1 REVENUE

Table 3.2 Revised gross tax revenue projections

R billion	2022/23[1]	2023/24	2024/25	2025/26	2026/27
Revised estimate	**1 686.7**	**1 731.4**	**1 863.0**	**1 991.2**	**2 133.0**
Buoyancy	*1.21*	*0.54*	*1.33*	*1.11*	*1.11*
2023 MTBPS	**1 686.7**	**1 730.7**	**1 854.0**	**1 975.8**	**2 111.9**
Buoyancy	*1.21*	*0.61*	*1.15*	*1.07*	*1.05*
2023 Budget	**1 692.2**	**1 787.5**	**1 907.7**	**2 043.5**	
Buoyancy	*1.42*	*1.06*	*1.06*	*1.09*	
Projected improvement against 2023 MTBPS	0.0	0.7	9.1	15.4	21.1
Projected shortfall against 2023 Budget	-5.5	-56.1	-44.7	-52.2	

Revenue in the medium term has been adjusted upwards by R21 billion from the MTBPS 2023 and is expected to grow by R401 billion over the medium term. This is still R152 billion less than the 2023 Budget estimates. These revisions are mainly based on no inflationary increases on tax brackets for Personal Income Tax (PIT) over the next 2 years, that is about R31,6 billion. Technically these items are not revenue increases but a reduction of tax expenditure. Given that 2023/2024 tax revenue was R56 billion lower than 2023 Budget estimates, which was another R3 billion more than the MTBPS 2023, these revenue estimates are optimistic. The recent announcement by various mines and large employers of retrenchments and the South African Post Office (SAPO) in business rescue, further dents the optimistic outlook delivered by the Minister.

3.1.2 EXPENDITURE

Non-interest expenditure decreased by a net R6 billion, mainly as a result of the proposed reductions to baselines, as well as declared unspent funds, projected underspending, drawdowns of the contingency reserve and provisional allocations not assigned to votes. Even the base line adjustments are in respect of conditional grants, which means most of the savings are either lack of spending or spending on specific projects topped off with a transfer from the contingency reserve. It does not mean that the things that should have been delivered with that unspent money or conditional grants have been done or the need gone. R251 billion in spending is added to the MTBPS23 which is mainly for wage costs (R144 billion). The social relief grant is extended to 2024/25 with R33 billon allocated this year and another R72 billion for the 2 years thereafter.

Table 3.4 Revisions to non-interest expenditure for 2023/24

R million	2023/24
Non-interest expenditure (2023 Budget)	**1 694 120**
Upward expenditure adjustments	**30 221**
2023 MTBPS	
Allocation for the 2023/24 wage increase	23 558
Provincial departments [1]	*17 558*
National departments [2]	*6 000*
Other allocations in the AENE [3]	5 864
Second adjustments appropriation: shifts to votes	470
National Revenue Fund payments adjustments in 2024 Budget	329
Downward expenditure adjustments	**-36 260**
Downward revisions to baselines [4]	-21 726
Projected underspending	-5 600
Drawdown on contingency reserve	-5 000
Net other downward adjustments [5]	-3 464
Second adjustments appropriation: shifts from votes	-470
Revised non-interest expenditure (2024 Budget)	**1 688 081**
Change in non-interest expenditure from 2023 Budget	-6 039

The Minister estimates debt costs to GDP to decline which seems very optimistic given the actual reduction in revenue and additional R84,1 billion debt added during the year. Interest costs will however continue to increase from R364 billion to R448 billion.

3.1.3 Gold and Foreign Exchange Contingency Reserve Account (GFECRA).

Government has proposed drawing down R150 billion over the next 3 years. GFECRA is not cash in the bank, but rather accounting revaluations of our gold and foreign currency reserves that are revalued when the ZAR devalues against the foreign currency. The purpose of the fund is to provide liquidity for international transactions and to achieve currency stability.

To realise the profits, the underlying currency and gold bullion needs to be sold, which means reserves will be reduced and provide less of a buffer. Should the ZAR appreciate, the "profit" account will further reduce in value.

In essence, the Minister is betting against the ZAR in the medium term and is increasing SA currency liquidity and currency stability risk. Notably the R150 billion nearly equates to the R146 billion added for wage cost increase, (i.e. liquidating assets for operating costs).

3.2 SARS OPERATIONAL MATTERS

The South African Revenue Service (SARS) remains a critical cog in ensuring that government actually collects the cashflows that are generated from its fiscal policies. How SARS goes about this task as relates its stakeholders is as important as just meeting collection targets. To meet the principles of the social compact, tax collection has to be efficient, effective and fair and undermining any of these principles will create an inefficiency or leakage downstream. Having to assess and enforce collection of monies from taxpayers who either do not buy into the social compact or may feel that government has failed in delivery of the social compact is not an envious job.

SAICA has historically been able to engage with SARS when concerns are raised by members on whether SARS is meeting its mandate in an effective, efficient and fair manner. However, in 2015, it was clear that something was significantly wrong at SARS and since then, SARS' operational and governance model has been a matter of concern. Some of the operational concerns like VAT refunds and dispute timelines had existed for decades, but some were new. Practices such as pre-collection of tax, as later acknowledged by the Minister as a concern, had become more prevalent.

In 2018 SAICA would give evidence at the Nugent Commission. On governance matters, SAICA raised concern as to the appointment process of the Commissioner and the lack of a special advisory council to ensure a more balanced strategic view as opposed to another oversight body like Judge Nugent would recommend. Further issues included implementation of the basic operational function of SARS, such as doing its core function (i.e. debt collection), rather than contracting this out, as well as its ongoing inability to migrate to Generally Recognised Accounting Practice (GRAP) accounting standards as adopted in 2012 by the Accounting Standards Board. Notably, both these matters still exist in 2024.

The fairness of SARS' operations were another concern and SAICA recommended a review of the criminal sanctions regime, full integration of tax practitioners and ensuring SARS staff were sufficiently trained and competent. Again, on reflection, none of this has been considered or reviewed.

Lastly the efficiency of SARS operations came under scrutiny. Of concern was SARS' modernisation project and the manner in which it was implemented. SARS system challenges had gone from less than 30% of agenda items a decade before at national SARS engagements to more than 60% by 2018 (58 agenda items). This does seem to have improved a little with the concerns reducing to 24, but system challenges still represented 46% of all issues.

In May 2019, the current Commissioner of SARS was appointed and set the below must wins:

1. Broadening the Tax Base;
2. Improving Voluntary Compliance & Fiscal Citizenship;
3. Leveraging our resources and efforts intelligently to achieve more with less;
4. Maintaining crucial partnerships within government and stakeholders locally and internationally; and
5. Building an organisation with integrity that can be trusted and admired.

So, when analysing what has happened over the last 5 years, what do the numbers say.

On the tax base expansion:

	PIT	PIT	CIT	VAT	CUSTOMS
2019	21,1m individuals registered	552 000 employers registered	3,2m registered	802 000 registered	319 000 importers
2023	25,9m individuals registered	643 000 employers registered	3,9m registered	953 000 registered	347 000 importers
% annual growth	4,5%	3,3%	4,4%	3,8%	1,8%
Nominal inflation average per year	4,96%	4,96%	4,96%	4,96%	4,96%
Average GDP Growth per annum	0,46	0,46	0,46	0,46	0,46

Based on the above, the jury is still out as to whether the base was really broadened or whether this was just natural growth. This is acknowledged in the 2023 tax statistics where the employee registration growth is attributed mainly to the compelled employer registration irrespective of tax status and as relates to companies, the automatic registration for tax by the Companies and Intellectual Properties Commission (CIPC) on company formation.

As to improvements in voluntary compliance, SARS in 2014 developed a Voluntary Compliance Index but has only reported on it publicly since 2021.

The index as computed per tax product is presented below:

VCI per Tax Product	2021/22	2022/23
PIT (Individuals)	56.93%	52.54%
PIT (Trusts)	51.23%	50.39%
CIT	48.28%	47.30%
VAT	67.02%	65.95%
PAYE	74.42%	74.16%
Overall VCI	**62.89%**	**61.61%**

The index is also computed per compliance pillar, including the main tax products (PIT, CIT, VAT and PAYE).

VCI per Compliance Pillar	2021/22	2022/23
Registration (Registration on time)	96.54%	87.70%
Filing (Filing on time)	49.08%	46.03%
Reporting (Accurate declaration)	55.00%	55.26%
Payments (Payment on time)	76.53%	77.08%
Overall VCI	**62.89%**	**61.61%**

It is evident from the above that compliance levels have, in the last few years, been marginally declining which may also be a reflection of the public tax morale and satisfaction with SARS'

service levels. Improving service levels to taxpayers and tax practitioners was not one of the direct goals and remains one of the largest concerns with SARS.

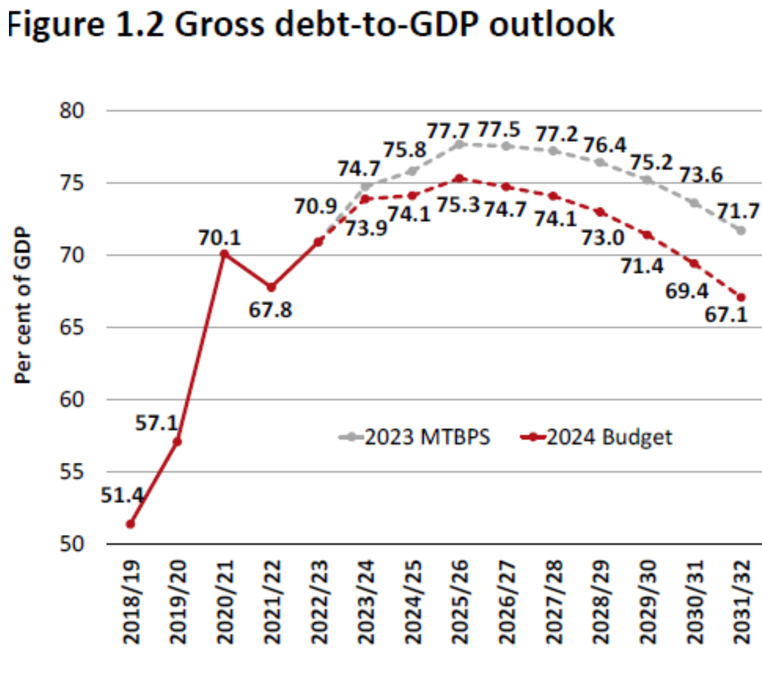
Doing some matchbox sums from very limited data on SARS' Call Centre:

- For the taxpayer helpline the average call is answered in 11 minutes, though only 80% of the calls answered had a call agent, the rest had only self-help options.
- Things are lot worse for the tax practitioner line, the average time to answer was 33 minutes with 14% of calls dropped before being answered. Where calls backs were requested, SARS called back on average within 75,6 minutes with 20% no SARS officials answered and only 60% of queries resolved.

In regard to service levels, things do look like it has declined since 2019, with the impact of COVID on SARS' way of work probably part of the challenge.

3.3 DEBT LEVELS

The Minister estimates debt to GDP to stabilise and decline quicker than was expected in the MTBPS2023. However, this is based on the "most positive estimates" which are highly unlikely. Given the year on year upward adjustment to debt forecasts in the last 10 years, where there also seemed no fundamentals supporting the positive estimate, the below does not seem realistic. This is in particular given that most of the revised additional spending is going to wage cost not economic building activities which is a low value return item given the low public sector productivity rate. Also, many of the savings are from unspent monies including conditional grants for targeted programs.



Debt will in real terms increase from R5,2 trillion to R6,24 trillion, which again given the R84 billion unbudgeted addition just for 2023, does not imbue confidence in these estimates.

Table 1.6 Projected state debt and debt-service costs

R billion/percentage of GDP	2023/24	2024/25	2025/26	2026/27
Gross loan debt	**5 207.3**	**5 522.2**	**5 959.2**	**6 293.2**
	73.9%	*74.1%*	*75.3%*	*74.7%*
Debt-service costs	**356.1**	**382.2**	**414.7**	**440.2**
	5.1%	*5.1%*	*5.2%*	*5.2%*

Source: National Treasury

None of these estimates include further funding to SoEs, other than last year's Eskom appropriations (which were incorrectly treated as debt) and a further R47 billion guarantee to Transnet (which has R43 billion in debt maturing in the next 3 months). It also does not seem to cater for the Municipal Debt Relief which essentially wanted ESKOM to write-off municipal debt subject to conditions, but that debt loss has to be funded at ESKOM again.

In 2019, we started with R182 billion and will end this term with double that at R356 billion, with very little to show for it .

It is also important to see the cash flow management plan.

Table 7.2 Financing of national government gross borrowing requirement[1]

	2022/23	2023/24		2024/25	2025/26	2026/27
R million	Outcome	Budget	Revised	Medium-term estimates		
Main budget balance	**-309 938**	**-275 351**	**-331 386**	**-320 946**	**-308 151**	**-287 218**
Redemptions	**-90 324**	**-162 232**	**-145 759**	**-172 568**	**-185 598**	**-166 295**
Domestic long-term loans	-74 562	-117 865	-98 614	-132 087	-126 730	-126 730
Foreign loans	-15 762	-44 367	-47 145	-40 481	-58 868	-39 565
Eskom debt-relief arrangement	–	**-78 000**	**-76 000**	**-64 154**	**-110 223**	–
GFECRA settlement (net)[4]	–	–	–	**100 000**	**25 000**	**25 000**
Total	**-400 262**	**-515 583**	**-553 145**	**-457 669**	**-578 972**	**-428 513**
Financing						
Domestic short-term loans	**-25 577**	**48 000**	**88 000**	**33 000**	**47 000**	**34 000**
Treasury bills (net)	-25 493	48 000	88 000	33 000	47 000	34 000
Corporation for Public Deposits	-84	–	–	–	–	–
Domestic long-term loans	**322 420**	**329 900**	**327 900**	**328 100**	**422 200**	**303 200**
Market loans	321 669	329 900	328 032	328 100	352 200	303 200
Loans issued for switches	87	–	532	–	–	–
Loans issued for repos (net)	664	–	-664	–	–	–
Eskom debt-relief arrangement	–	–	–	–	70 000	–
Foreign loans	**64 466**	**44 360**	**45 166**	**36 700**	**82 163**	**92 195**
Market loans	64 466	44 360	45 166	36 700	82 163	92 195
Change in cash and other balances[2]	**38 954**	**93 323**	**92 079**	**59 869**	**27 609**	**-882**
Cash balances	29 332	86 321	83 649	53 112	21 753	-5 866
Other balances[3]	9 622	7 002	8 430	6 757	5 856	4 984
Total	**400 262**	**515 583**	**553 145**	**457 669**	**578 972**	**428 513**
Percentage of GDP	*6.0%*	*7.4%*	*7.8%*	*6.1%*	*7.3%*	*5.1%*

In essence, it would seem that government is planning to go into overdraft with a R1 billion negative cash balance by 2026/27. Also concerning is the large jump in foreign loans from R36 billion to 92 billion in 2 years, and given the Ministers plan to bet against the ZAR with the GFECRA drawdown, the debt costs on these loans will increase. This again contradicts this Ministers views on reducing debt cost. It also shows the concerns last year that Treasury did the ESKOM debt relief as a direct cash transfer rather than an appropriation by Parliament, something that was raised as a legal concern.

In 2019, things were even worse with a R47 billion negative cash balance. This brings into question how Treasury are in fact managing the cash flows, and reminds us why in September 2023 a sudden cash flow crisis resulted in cost containment letters to departments and provincial treasuries.

3.4 WATER INFRASTRUCTURE

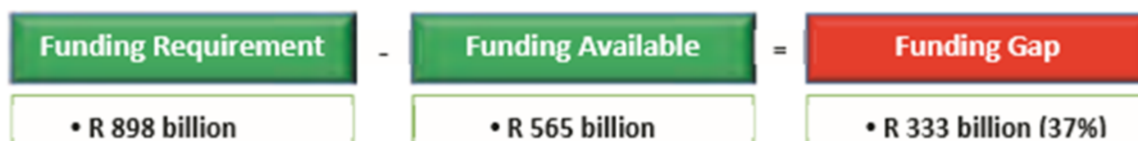
We are now firmly in the midst of a water crisis; long predicted by numerous academics and other stakeholders. SAICA first warned Parliament 6 years ago in its 2018 Budget submission and continued to do so every year since. We provided you, our members, an analysis of this problem in last year's Budget Summary.

With the 2024 elections approaching, it is worth reflecting on the progression of this issue since the current government was elected.

Annexure D of the 2024 Budget Review notes:

"…government is prioritising 11 strategic projects with an estimated value of R139,1 billion. The projects are expected to create about 20 000 jobs during construction and 14 000 jobs during the operational phases."

A National Water Masterplan was published in 2019; the same year the current regime was elected). At that point, the document noted that South Africa needed at least R89 billion per annum for 10 years to fund water infrastructure.



Regrettably, the amounts highlighted in the below table from the 2024 Budget Review show that government's allocation for water infrastructure over the medium term is nowhere near the necessary level.

Table D.1 Public-sector infrastructure expenditure and estimates

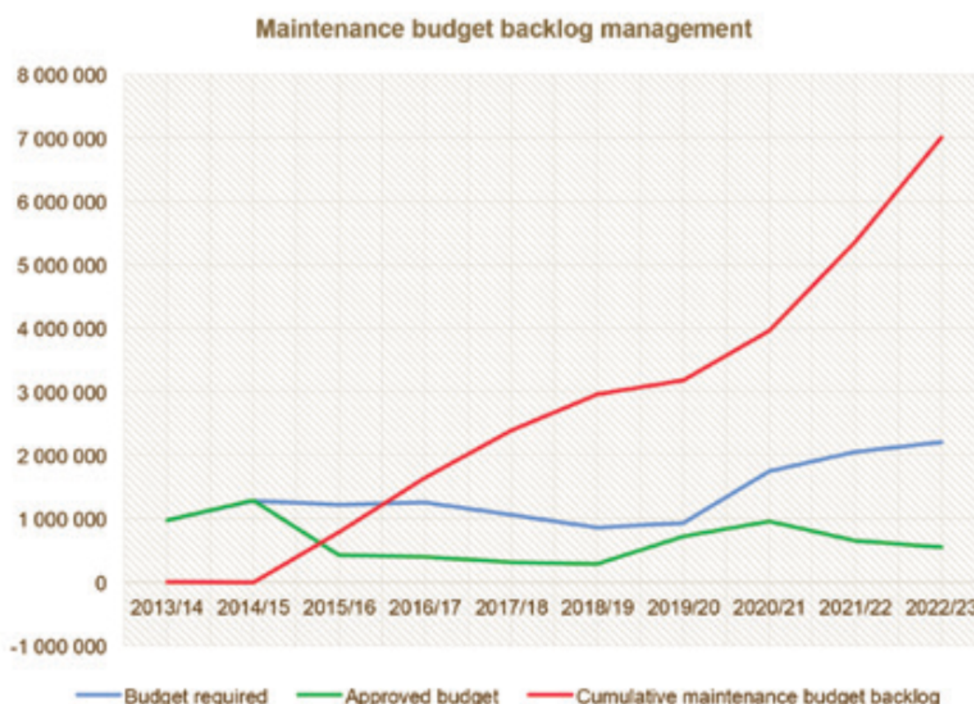
R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	MTEF
	Outcomes			Revised estimate	Medium-term estimates			Total
Energy	30.0	35.5	38.7	54.8	58.5	70.5	74.8	203.8
Water and sanitation	29.5	30.6	35.4	43.8	53.2	57.6	50.1	160.9

The 2019 National Water Masterplan also highlighted a maintenance backlog for existing infrastructure, specifically:

- a refurbishment backlog of R12,5 billion caused primarily by inadequate maintenance; and
- a renewal backlog of aged infrastructure of about R23 billion.

The 2024 Budget Review indicates that government has not allocated any funding for this maintenance backlog.

Five years after the current government was elected, the backlog is as follows:

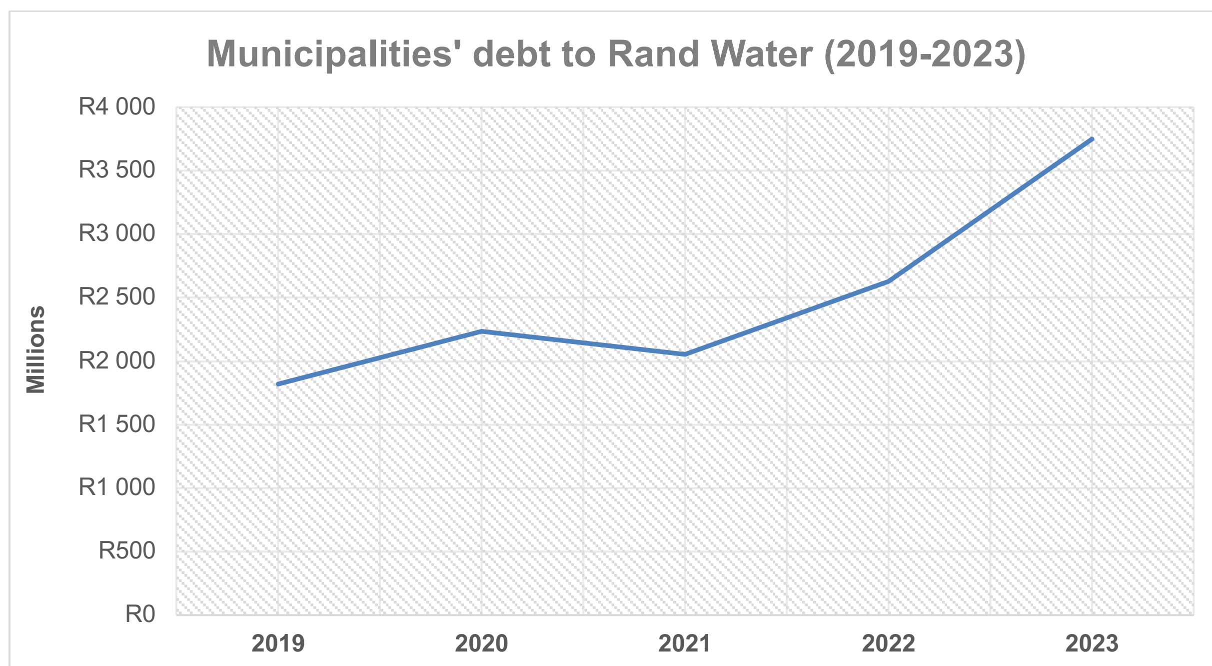


The financial performance of Africa's largest water utility – Rand Water – is also worth noting, since it provides drinking water to more than 11 million people in Gauteng, parts of Mpumalanga, the Free State and North-West.

It has recently suffered reputational damage due to its inability to fulfil its mandate; caused in large by load shedding. To address this, the utility is working on the use of renewable energy sources for water treatment and supply, having already identified a suitable site for construction of hydropower units and installation of solar panels across all sites.

The entity has struggled to operate effectively, not only because of ESKOM, but due to the municipalities as well, which accounts for over 97% of its debtor's book.

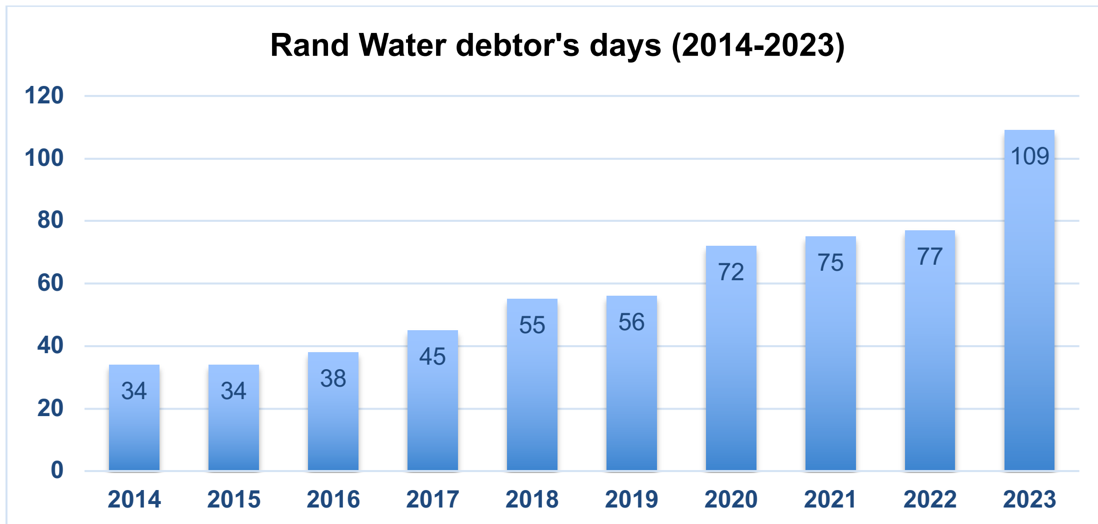
The table below indicates the growth in municipalities' debt to Rand Water since the 2019 elections:



There has also been a drastic increase in Rand Water debtor's days, largely caused by municipalities' financial mismanagement.

Ten years ago (2014), Rand Water was able to collect its debts within an average of 34 days. When the current government was elected in 2019, it took 56 days for the entity to collect its debt. By 2023, this had ballooned to 109 days.

The following graph illustrates this progression:



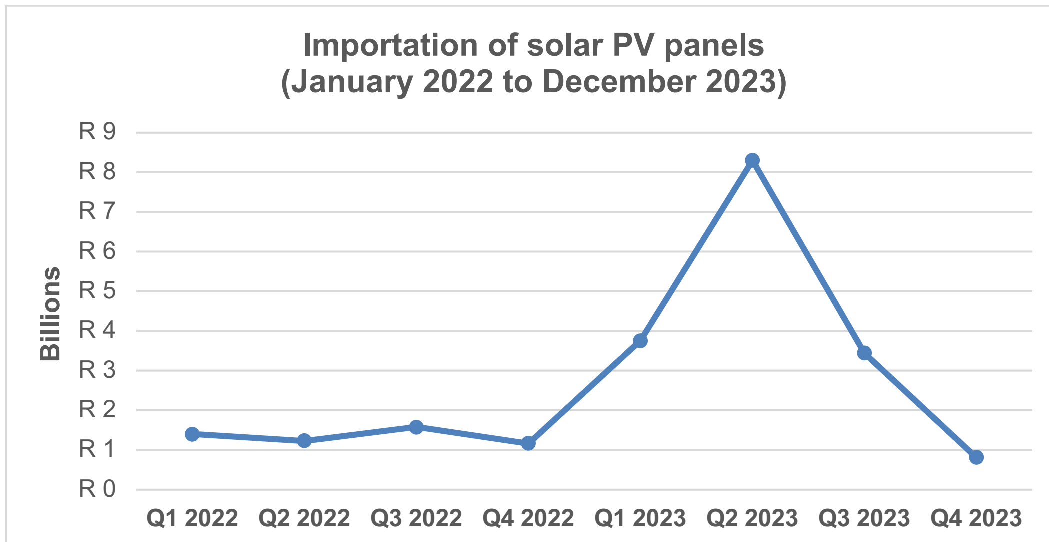
3.5 RENEWABLE ENERGY INITIATIVES

During 2023, National Treasury introduced two renewable energy incentives in an effort to curb the impact of loadshedding:

- the enhanced deduction on the purchase of assets used in the production of renewable energy, and;
- the solar energy tax credit for natural persons' acquisition of solar panels (section 6C).

The latter is a one-year tax incentive and applies to solar panels acquired and brought into use between 1 March 2023 and 1 March 2024.Stakeholders were unsuccessful in petitioning National Treasury to extend the solar panel tax credit. However, National Treasury did mention in the 2024 Budget Review that *"the solar rooftop tax incentive announced in the 2023 Budget has promoted the installation of solar panels that are now generating 5 200 MW of electricity for households and businesses."*

The below graph illustrates a two-year trend in the importation of solar photovoltaic panels.



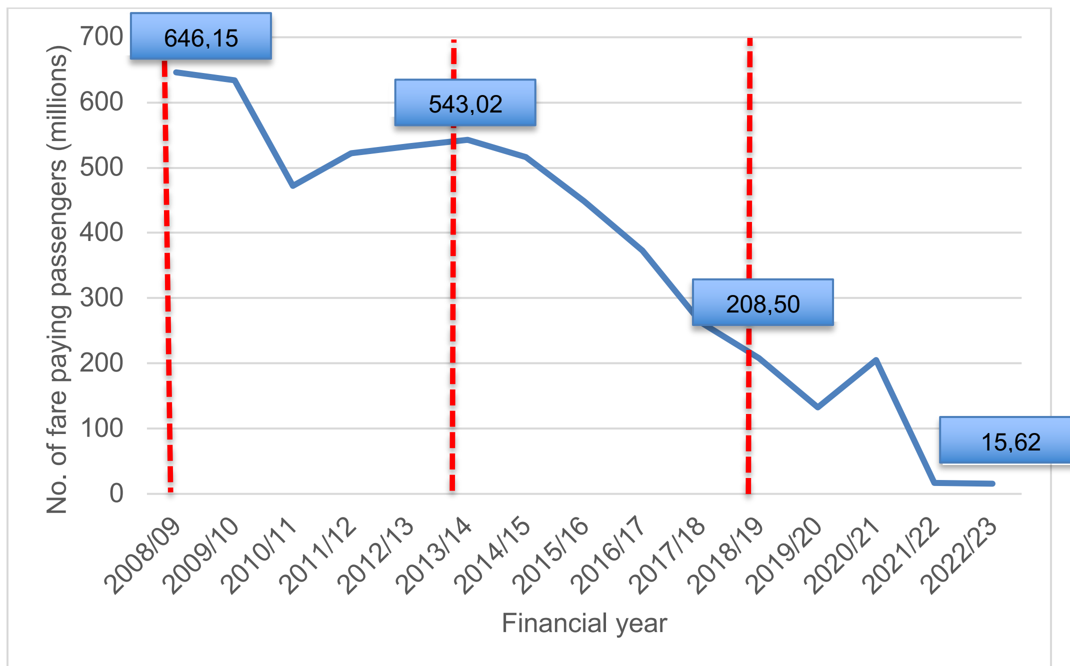
3.6 LOGISTICS VOLUMES

The need for sustainable economic growth and the positive role an efficient, effective and reliable logistics infrastructure can play in achieving this is something SAICA and government agree on. What is however perplexing is government's hesitance to consider advice on how best to rehabilitate our failing logistics infrastructures.

SAICA, in response to the Minister of Finance's 2018 request for inputs on how economic growth could be achieved, presented the 'SAICA SEVEN'; which included suggestions for an agreement on infrastructure build priorities (with capital infrastructure spend prioritised based on the country's economic value-driver priorities).

Government was cautioned against spending for the simple reason of spending and was further advised that spending should be managed in a manner that will not result in an unmanageable debt burden. If the current state of affairs (coupled with what transpired following the issuance of our advice) is anything to go by, it would appear that this advice fell on deaf ears. The 2020 Budget indicated a lack of economic structure or prioritisation as relates to investment in infrastructure, as well as a lack of adequate details on how said investment would be financed. Given the lack of responsiveness on government's part, the need for infrastructure revitalisation was reiterated in 2020 and again in 2021.

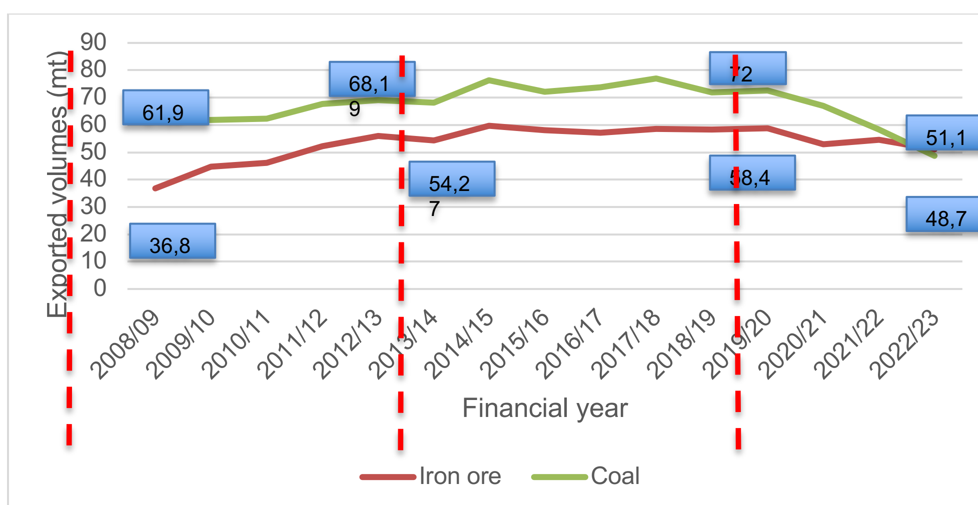
This can be witnessed through the deteriorating number of Prasa's fare-paying passengers.



Rolling stock and infrastructure failures, stations and station facilities in a state of disrepair, theft and vandalism of operating assets, amongst other things, led to a decline in passenger trips (with passenger rail viewed as an unreliable mode of transport). The lack of adequate investment in passenger rail infrastructure resulted in a 92,51% decrease in the number of fare-paying passengers over the period spanning Prasa's 2018/19 and 2022/23 financial years.

While the number of fare-paying passengers decreased during the tenure of other administrations (15,96% during President Zuma's second tenure and 61,6% in President Ramaphosa's first tenure), the drastic decrease during Ramaphosa's second tenure could have been avoided had infrastructure spending been properly prioritised.

Further consequences of the unheeded advice include impacts to Transnet's commodity exports.



Iron ore exports have, under the current administration decreased by 12,5% while coal exports decreased by 32,36%. Transnet's implosion resulted in the Minister of Finance identifying the need for a ''*R47 billion guarantee facility to support the entity's recovery plan and meet its immediate debt obligations*" in this year's Budget Speech. R22,8 billion of which will be available for immediate use to address the settling of maturity debt. This should, in the Minister's opinion, "*improve Transnet's sustainability and support the implementation of the roadmap.*"

As previously noted, infrastructure requires a national implementation plan and focus areas that are mapped to the budget. Failing which, we anticipate further downward trends where logistics is concerned.

3.7 UNEMPLOYMENT

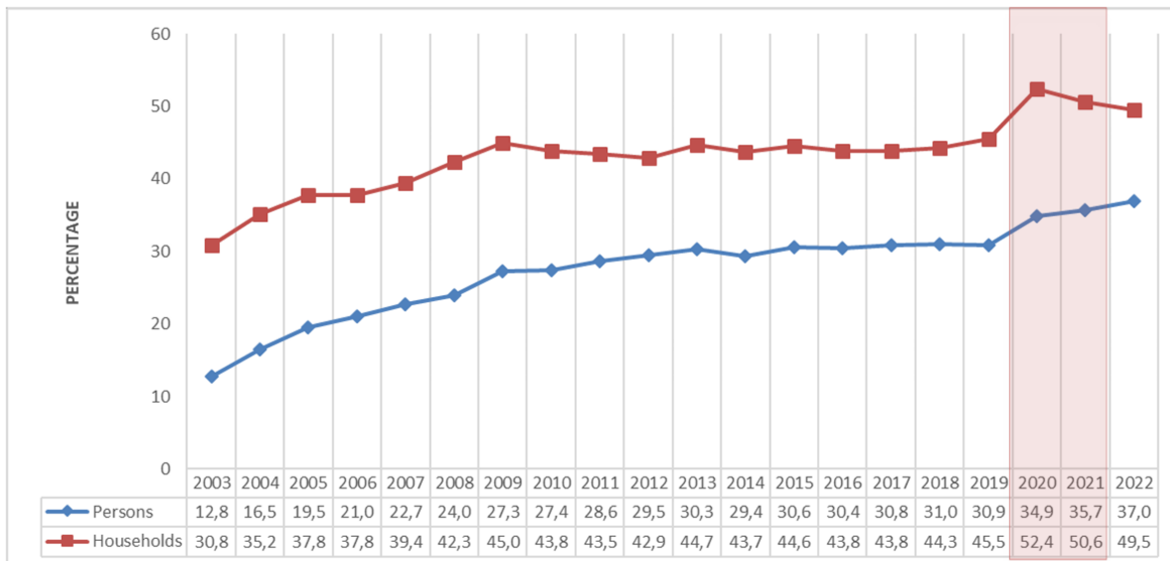
In our 2023 Budget submission to the Standing Committee on Finance we noted that "*in 2022 43,1% of our people were unemployed with more than 28 million on social grants. South Africa has in effect become a welfare state but given its small base of taxpayers, this poses severe risks for the country*."

At the 111th ANC Anniversary Celebrations in January 2023, President Cyril Ramaphosa stated that "*we are the only country here in Africa that is giving grants to almost half of its population because here in South Africa there are 60 million and 29 million are getting money from the state every month*." This certainly helps people but from a bigger picture perspective it is a highly concerning fact. There were 18 million people receiving an old age, child support or disability grant etc. and 11 million receiving the Covid 19 Social Relief of Distress grant (Distress Grant).

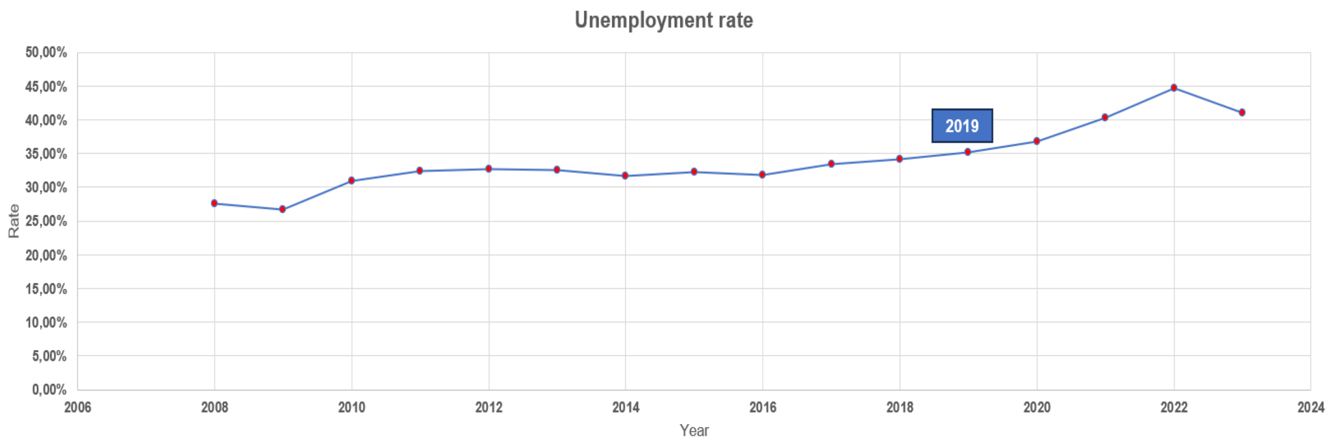
As of December 2023, there are 19 million recipients of social grants and 8.5 million recipients of the Distress Grants, costing a total of R250 billion a year. This is forecasted to increase substantially. The number of social grants has increased, but thankfully the number of Distress Grants has decreased. The Distress Grant will, as detailed in this year's Budget, extend into 2024/2025.

Per the graph below for 2019 there was a sharp increase in social grants, with the Distress Grant contributing materially to this.

Figure 7.1: Percentage distribution of households and individuals who have benefitted from social grants, 2003–2022



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Persons	12,8	16,5	19,5	21,0	22,7	24,0	27,3	27,4	28,6	29,5	30,3	29,4	30,6	30,4	30,8	31,0	30,9	34,9	35,7	37,0
Households	30,8	35,2	37,8	37,8	39,4	42,3	45,0	43,8	43,5	42,9	44,7	43,7	44,6	43,8	43,8	44,3	45,5	52,4	50,6	49,5



The graph on the unemployment rate illustrates that from the last election year in 2019 to 2023 the unemployment rate increased from 35,2% to 41,1%. Even though there has been a steady decline since 2008, a steep decline began just before the Covid pandemic in March 2020. There was already an almost 2% increase from 2019 to 2020, so it would be incorrect to say the sharp increase to 41,1% was predominantly due to Covid.

If almost half the nation is unemployed and almost half the nation is relying on social grants the collection of taxes cannot reach the levels required. The question is therefore how National Treasury will manage this given the impact of unemployment on the quantum of collectable employees' tax. The stable revenue source of employees' tax is therefore under pressure, as it is the largest contributor to the fiscus of all the taxes. Treating it as an inexhaustible revenue resource in the medium term is a risk.

4. TAX PROPOSALS

Some of the more significant tax proposals are noted below:

- **No inflationary adjustment to personal income tax brackets, rebates and medical tax credits**. It is estimated that this will increase revenue by R18,2 billion for the 2024/25 year.
- **No change** to the **general fuel levy,** providing **R4 billion in relief.**
- Above average increase of between 6,7 and 7,2% in **excise duties on alcohol and certain tobacco products** will contribute an **additional R800 million** in revenue. It is proposed that **tobacco** excise duties and **pipe tobacco and cigars** excise duties will increase by **4,7% and 8,2%**, **respectively.**
- The **carbon tax** increased from R159 to **R190/tonne** of CO2 equivalent from **1 January 2024.** The **carbon fuel levy** will increase to **11c/litre for petrol** and **14c/litre for diesel** effective from **3 April 2024**, as required by the Carbon Tax Act, 2019. Effective 1 January 2024, the carbon tax cost recovery quantum for the liquid fuels sector increased from 0.66c/litre to 0.69c/litre.
- **Implementation of the global minimum corporate tax rate** is expected to contribute **R8 billion** in revenue in the **medium-term** – that is, by **2026/27**. This contribution will be partially offset by an outflow of **R500 million** as an **incentive for producers of electric vehicles in South Africa**.
- The **section 12H** learnership tax incentive will be **extended by 3 years to 31 March 2027**.
- The **brackets for transfer duties, retirement fund lump sum benefits and retirement fund lump sum** withdrawal benefits, as well as tax rates, remain unchanged.

4.1 TAX PROPOSALS - INDIVIDUALS

4.1.1 PERSONAL INCOME TAX

PIT contributed R649,8 billion of the total estimated tax collections of R1,73 trillion (i.e. 38% of total tax revenue), consistent with the prior year.

As noted in the overview, there is no change in the personal income tax brackets and rebates, as well as no change in the medical tax credits.

4.1.2 EXEMPTION OF INTEREST AND DIVIDENDS

The annual exemption on interest earned by individuals younger than 65 years (R23 800) and for individuals 65 years and older (R34 500) remains the same.

The annual contribution limit to tax-free investments remains R36 000.

4.1.3 OTHER PROPOSALS AFFECTING INDIVIDUALS, EMPLOYMENT AND SAVINGS

Curbing the abuse of the employment tax incentive scheme

Abuse of the Employment Tax Incentive via the use of aggressive tax schemes initiated by certain training providers, was identified in prior years. To curb this, amendments were made to the Employment Tax Incentive Act, 2013. It is now proposed that the punitive legislative measures to support those amendments should be refined to address the abusive behaviour of certain taxpayers.

Amending the definition of "remuneration proxy" in section 1

In 2013, the definition of "remuneration factor" in the Seventh Schedule to the Income Tax Act, 1962 (the IT Act) was replaced by a new definition of "remuneration proxy" in section 1. This new definition refers to an "associated institution" in relation to the employer, but without referencing paragraph 1 of the Seventh Schedule, where the term is defined. It is proposed that the "remuneration proxy" definition should be amended to include a reference to "an 'associated institution' as defined in paragraph 1 of the Seventh Schedule".

Payroll amendments and refunds made in the current year

Given the proposed monthly reporting for payroll administrators, it is proposed that section 11(nA) of the IT Act be amended to cater for taxpayers seeking to make refunds of amounts received or accrued during the same year of assessment.

Clarifying anti-avoidance rules for low-interest or interest-free loans to trusts

The IT Act contains an anti-avoidance measure aimed at curbing the tax-free transfer of wealth to trusts using low-interest or interest-free loans, advances or credit arrangements – this includes cross-border loan arrangements. The transfer pricing rules in the IT Act also apply to counter the mispricing of cross-border loan arrangements. To avoid the possibility of an overlap or double taxation, the trust anti-avoidance measures specifically exclude low- or no-interest loan arrangements that are subject to the transfer pricing rules. It has been identified that the exclusion referred to does not effectively address the interaction between the trust anti-avoidance measures and transfer pricing rules where the arm's length interest rate is less than the official rate on these cross-border loan arrangements. An amendment is proposed to provide clarity in this regard.

4.1.4 RETIREMENT PROVISIONS

Adjustment of transfer duty and retirement tax tables

The brackets for transfer duties, retirement fund lump sum benefits and retirement fund lump sum withdrawal benefits, as well as tax rates remain unchanged. Tables are reflected later in this document.

Transfers between retirement funds by members who are 55 years or older

The legislation was amended in 2023 to allow for tax-neutral **involuntary** transfers between retirement funds, for members of pension or provident funds who have reached the normal retirement age per fund rules, but had not yet elected to retire. To qualify, the transfer of the retirement interest is to be made to a fund that is not less restrictive. It has been identified that the law only allows certain tax-free transfers of an involuntary nature, but excludes transfers from one retirement annuity fund to another. It is proposed that the law be amended to allow involuntary transfers of this nature.

Two-pot retirement reform update

In terms of the two-pot retirement reform, an individual will have access to a portion of his/her retirement assets, pre-retirement. The intention is to assist fund members when needed whilst encouraging higher savings rates and ensuring preservation of the balance of savings to retirement. It is expected that this change will harmonise permissible pre-retirement withdrawals across funds.

Effective 1 September 2024, contributions to retirement funds will be split as follows:

- 1/3 into a “savings component”; and
- 2/3 into a “retirement component”.

Contributions remain tax deductible and tax free. Fund members may withdraw funds from the savings component pre-retirement, whilst the retirement component will remain protected. Other than the initial seed capital amount, savings accumulated up to the date of implementation will not be impacted. The seed capital will be the lower of 10% of the fund value on 31 August 2024 or R30 000 and will be transferred from accumulated retirement savings to the savings component, to allow an immediate withdrawal if required due to a financial emergency. This seeding will be a once-off event and if not used, it will still be available in the future.

Pre-retirement withdrawals from the savings component will be subject to tax at marginal rates, as with other income. However, when taxable income is lower, taxpayers will be taxed at lower rates. Only one withdrawal will be permitted in a tax year, with the minimum being R2 000.

The ideal situation is for preservation of retirement savings as long as possible, as the amounts grow at compound rates and may attract lower tax rates. Any amount left in the savings component on retirement may be withdrawn and will be taxed according to the retirement lump sum table.

It is estimated that R5 billion will be raised in 2024/25, due to tax collected when fund members access once-off withdrawals. Since the seed capital transfer is a once-off event, this revenue will not flow into subsequent tax fiscal years.

4.2 TAX PROPOSALS - COMPANIES

4.2.1 GENERAL CORPORATE TAX PROPOSALS

Reviewing the connected person definition in relation to partnerships

In terms of paragraph (*c*) of the definition of "connected person" in section 1 of the IT Act, in the context of a partnership or foreign partnership (section 1 definition), each member of the partnership is a connected person in relation to any other member of the partnership and any connected person in relation to any member of such partnership or foreign partnership. Therefore, partners are connected to each other as well as to all connected persons of the partners in the partnership.

It has been found that the wide ambit of the paragraph (*c*) "connected person" definition affects limited partners in an *en commandite* partnership – i.e. a partnership carried out in the name of only some of the partners where the undisclosed partners contribute a fixed sum and are not liable for more than their capital contribution in the case of a loss. It is proposed that the status of connected persons in relation to a "qualifying investor" (defined), be reviewed in the definition of "connected person" in the IT Act.

Limiting interest deductions in respect of reorganisation and acquisition transactions

It is proposed that the definition of "adjusted taxable income" and the formula applied to limit an interest deduction in section 23N of the IT Act be reviewed for closer alignment with the changes made to the definition of the adjusted taxable income and the formula applied for the interest limitation rules for debts owed to persons not subject to tax in section 23M.

Relaxing the assessed loss restriction rule under certain circumstances

Due to a prior year amendment, there are restrictions on the use of assessed losses. It is proposed that the legislation be amended to provide an exemption from the assessed loss restriction rule, in respect of companies in the process of liquidation, deregistration or winding up.

4.2.2 CORPORATE REORGANISATION RULES

Clarifying the interaction of the value shifting provisions and the definition of "value shifting arrangement" in paragraph 1 of the Eighth Schedule

Disposals between group companies where the corporate rollover relief applies should, in principle, be tax neutral. In essence, rationalising a group of companies could result in the market value of an existing shareholding of one group entity decreasing and another group entity's newly acquired shareholding increasing, which would ordinarily trigger the application of the value shifting rules. However, commercially, the market value of the ultimate holding company's combined direct and indirect interests in all the subsidiary companies remains constant. It is proposed that the definition of "value shifting arrangement" be amended to

exclude certain corporate rollover transactions between groups of companies or where the value of the effective interest of the connected person remains unchanged.

Reviewing the prohibition against transfers of assets to non-taxable transferees in terms of an "amalgamation transaction"

Generally, "amalgamation transaction" rules don't apply if assets are transferred to companies that are wholly/partially exempt or fall outside the South African tax base, because they are not fully taxable – this, to ensure that rollover relief is not used to obtain a permanent exemption. It has been identified that the interaction between the definition of "amalgamation transaction" and the aforementioned rule, the reference to an "amalgamated company" – and cross-references to a resultant company that is a foreign company that does not have a place of effective management in South Africa – seem to be misaligned and are unclear. It is proposed that this be reviewed and clarified.

Reviewing the ambit of the de-grouping charge in intra-group transactions

The de-grouping anti-avoidance measures contained in the intra-group corporate re-organisation rules provide the tax consequences for capital assets, allowance assets and trading stock in the event of a de-grouping taking place within six years of the transfer of the assets – that is, if the assets were transferred between group companies as envisaged in paragraph (*a*) of the definition of "intragroup transaction".

It is proposed that the scope of the de-grouping charge be narrowed to avoid this rule being triggered when there is a change in shareholding affecting a group of companies, while the companies involved in the original intra-group transactions are still part of another group of companies.

4.2.3 CLARIFYING ANTI-AVOIDANCE RULES DEALING WITH THIRD PARTY BACKED SHARES

Third-party backed share anti-avoidance rules deem dividend yields of preference shares, backed by third parties through an enforcement right of the holder, to be income except where the funds derived from the issue of these third-party backed shares are used for a qualifying purpose. The anti-avoidance rules don't apply if the funds derived from the issue of the relevant preference shares are used for a qualifying purpose – e.g. if the funds are used directly/ indirectly to acquire equity shares in an operating company. It has been identified that the below clarification of the rules is required:

Extending the definition of "enforcement right" to a connected person

An "enforcement right", as defined in the IT Act, encompasses a right of the holder of a share, or any connected person in relation to that holder (a third party), to enforce performance by another person in respect of that share. However, the "third-party backed share" definition in section 8EA of the IT Act does not clearly match the intent that either a holder or a connected person to that holder could hold that enforcement right. It is proposed that the "third-party backed share" definition should be clarified to address this.

Extending exclusions to the ownership requirement

In 2023, amendments were made to the qualifying purpose provisions to clarify the ownership requirement for the equity shares in the operating company by the person that acquired those equity shares at the time of the receipt or accrual of any dividend or foreign dividend, subject to certain exclusions. The exclusions include a provision that the ownership requirement will not apply if that equity share was a listed share and was substituted for another listed share in terms of an arrangement that is announced and released as a corporate action on a South African regulated stock exchange. It is proposed that the ownership requirement exclusions be extended to include corporate actions relating to listed share substitutions on a recognised exchange in a country other than South Africa.

Further, the ownership requirement exclusions will apply if the equity shares in the operating company are disposed and the funds derived from that disposal are used to redeem the preference share within 90 days thereof. It is not clear whether settlement of any dividends, foreign dividends or interest accrued from that preference share that are payable also falls within the ambit of its allowable redemption.

It is proposed that the legislation be amended to include the settlement of any amounts of dividends, foreign dividends or interest accrued in respect of the redemption of a preference share.

4.2.4 RREFINING CONTRIBUTED TAX CAPITAL (CTC) PROVISONS

A company's CTC is a notional and ring-fenced tax amount derived from a deemed market value amount when a foreign company becomes a South African tax resident and the consideration for the issue of a class of shares by a company. It is reduced by any amounts referred to as capital distributions, transferred by the company to the shareholders. It has been identified that the following amendments are required to further refine the CTC provisions:

Effect on legitimate transactions due to "contributed tax capital" anti-avoidance measures

Section 8G of the IT Act is an anti-avoidance measure that limits the CTC of a resident company in a share-for-share transaction with a non-resident group company. The tax consequences of this provision may affect legitimate corporate finance practices and limit South Africa's attractiveness as an investment destination. It is proposed that further refinements be considered to minimise any inadvertent tax consequences.

Translating "contributed tax capital" from foreign currency to Rands

The 2023 draft Taxation Laws Amendment Bill proposed clarification of the translation of CTC, denominated in a foreign currency, to Rands. The initial effective date for the proposals was 1 January 2024. After review of related stakeholder comments, government decided to postpone the effective date for these amendments to 1 January 2025 to give both the National Treasury and affected stakeholders more time to consider the impact thereof during the 2024 legislative cycle.

4.2.5 BUSINESS (FINANCIAL SECTOR)

Clarifying the interaction of section 24JB(3) of the IT Act and the gross income definition

Section 24JB(3) seeks to ensure that financial assets and financial liabilities that are measured at fair value in terms of the International Financial Reporting Standards (IFRS) 9 and the income, expenses, gains or losses which are recognised in the statement of profit or loss and other comprehensive income are included in or deducted from the income of only certain persons under section 24JB(2) of the IT Act. Therefore, the amounts cannot be dealt with under any other section of the IT Act. To provide clarity regarding the interaction between this rule and the "gross income" definition, it is proposed that section 24JB(3) be amended to specifically exclude the application of the "gross income" definition.

Impact of IFRS 17 on the taxation of insurers

In May 2017, IFRS 17 was issued to replace IFRS 4 as the new accounting standard for insurers. The tax legislation was developed in 2022 to cater for the application of IFRS 17 for the financial years of insurers starting on or after 1 January 2023. The implementation of IFRS 17 is a complex, ongoing process, with insurers now starting to report on the new standard. Implementation thereof has brought to light various unintended consequences which need to be addressed in the tax legislation. For example, an amendment is required to reduce an excessive phasing-in amount because of liabilities for remaining coverage not specifically being allowed as a deduction under the IFRS 17 tax system. It is proposed that legislation be amended to address these unintended consequences.

4.2.6 OTHER

Fuel levies

To reduce pressure on households and businesses, as with the prior year, no changes were made to the general fuel levy or the Road Accident Fund (RAF) levy in the 2024 Budget, leading to revenue foregone of R4 billion.

4.3 TAX PROPOSALS - INCENTIVES

Government continues to assess existing incentives to enhance transparency and efficiency. Those found to be effective and which create the intended benefits will be retained and, where necessary, redesigned to improve performance and additional incentives may be provided to address specific market failures.

4.3.1 SECTION 12B RENEWABLE ENERGY TAX INCENTIVE

Currently, embedded solar photovoltaic energy production assets with generation capacity not exceeding 1 megawatt, are written off in one year in accordance with the private electricity generation threshold. Subsequently, the private threshold has been lifted due to the electricity crisis. Government will therefore reconsider the generation threshold and leasing restrictions of section 12B, proposing amendments to take effect from 1 March 2025.

4.3.2 EXTENTION OF THE LEARNERSHIP TAX INCENTIVE (SECTION 12H)

The sunset date of the section 12H learnership tax incentive, which is aimed at supporting workplace education, skills development and employment, will be extended by 3 years to 31 March 2027 to allow adequate time for the incentive to be evaluated before a decision is made on its future.

4.3.3 OTHER

Incentivising local electric vehicle production

To encourage the production of electric vehicles in South Africa, it is proposed that an investment allowance be made available for new investments from 1 March 2026 allowing producers to claim 150% of qualifying investment spending on production capacity for electric and hydrogen-powered vehicles in the first year of investment. The tax expenditure is estimated at R500 million for 2026/27.

Tax treatment of certain infrastructure projects

To encourage infrastructure investment, government will investigate the feasibility of a flow-through tax treatment, similar to that applicable to trusts and other investment vehicles, for certain clearly defined infrastructure projects under specified circumstances.

Interest limitation rules

Currently, there is a limitation on interest deductions where there is a relationship between a debtor and a creditor, and the corresponding interest income is not taxed fully. An unintended consequence may unfairly prejudice tax-exempt investors, such as pension funds, when they lend to a related party. This will be investigated, with the possibility of including amendments in the 2024 Taxation Laws Amendment Bill.

4.4 TAX PROPOSALS – INTERNATIONAL TAX

Clarifying the translation for hyperinflationary currencies

The net income of a Controlled Foreign Company (CFC) is determined in the currency used by that CFC for financial reporting (i.e. the functional currency) and is translated into Rands at the average exchange rate for that foreign tax year. An “exchange item”, as defined in the IT Act, is treated as non-attributable to any permanent establishment of the CFC if the currency used for financial reporting is that of a country with an official rate of inflation equal to or exceeding 100%, throughout the foreign tax year. However, in contrast to the intention that a hyperinflationary functional currency not be used for translation purposes, section 9D(2A)(*k*) of the IT Act requires the local currency to be used.

It is proposed that the rules be changed so that section 9D(2A)(*k*) does not allow the use of a hyperinflationary functional currency for translation purposes.

Clarifying the 18-month period in relation to shareholdings by group entities

In 2023, tax legislation was amended to require an 18-month holding requirement for the participation exemption on the foreign return of capital – similar to the participation exemption relating to the disposal of shares in a foreign company. The test for the holding period for a foreign return of capital does not cover the situation where more than one company in a group was holding the shares during that 18-month period. It is proposed that the holding period rules be amended accordingly.

Clarifying the rebate for foreign taxes on income in respect of capital gains

South African tax residents are subject to income tax on their worldwide income. Section 6*quat* of the IT Act provides relief from double taxation where the same amount is taxed by more than one tax jurisdiction – in the form of a credit for the taxes paid in the relevant foreign jurisdiction, limited to the South African tax on the amount taxed in South Africa. According to the foreign tax credit rules dealing with foreign dividends, the tax-exempt portion must be disregarded when determining the allowable foreign tax credit. However, the rules dealing with capital gains have no corresponding provision for the non-taxable portion of the capital gain – there is no consistency. It is proposed that section 6*quat* be amended to explicitly allow the required consistency.

Aligning the section 6quat rebate and translation of net income rule for CFCs

Foreign taxes payable by a CFC must be translated to Rands at the average exchange rate for the year of assessment of the resident having an interest in the CFC, in which an amount of net income of the CFC is included in the income of that resident. However, the net income of the CFC must be translated by applying the average exchange rate for the foreign tax year of the CFC. There is a mismatch when the year of assessment of the resident and the foreign tax year of the CFC differ. It is proposed that the IT Act align the years used to translate net income and foreign tax payable by using the foreign tax year of the CFC.

Refining the definition of "exchange item" for determining exchange differences

Certain financial arrangements that include preference shares are eroding the tax base due to a mismatch, given that some elements of the arrangement result in an exchange loss for tax purposes, whilst gains on the preference shares are not taxed. Government proposes to address this tax leakage by extending the definition of "exchange item" to include shares that are disclosed as financial assets for purposes of IFRS financial reporting.

Reviewing the interaction of the set-off of assessed loss rules and rules on exchange differences on foreign exchange transactions

When determining taxable income, the IT Act enables taxpayers to set off their balance of assessed losses carried forward from the preceding tax year against their income, provided that the taxpayer continues trading. The interaction between the assessed loss set-off and exchange differences rules could result in a foreign exchange loss on an exchange item not being set off in future years against gains from the same exchange item where the trading requirement is not met. It is proposed that ring-fencing all foreign exchange losses on exchange items from a future year of assessment, should be considered.

Implementing the global minimum corporate tax rate

Implementation of the global minimum tax is gaining momentum. It aims to limit the reduction of effective corporate tax rates for large multinationals, with countries competing to attract foreign investment and related income by offering low tax rates and tax incentives.

Implementing the minimum tax in South Africa will contribute to expanding the corporate tax base. South Africa helped develop tax rules to address base erosion and tax challenges arising from the digitalisation of the economy as a member of the Steering Group of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting. These rules are designed to limit the channels that multinationals use to shift profits from high- to low-tax countries.

The 2023 *Budget Review* outlined the two pillars of this framework, which were endorsed by more than 135 countries in 2021. The second, relevant pillar introduces the global minimum tax, which ensures that any multinational with annual revenue exceeding €750 million will be subject to an effective tax rate of at least 15%, irrespective of where the profits are located. Government proposes introducing two measures to effect this change, effective 1 January 2024.

The first, the income inclusion rule, will enable South Africa to apply a top-up tax on profits reported by qualifying South African multinationals which are operating in other countries that have an effective tax rate below 15%. The second is the domestic minimum top-up tax which will enable SARS to collect a top-up tax for qualifying multinationals paying an effective tax rate less than 15% in South Africa.

The Explanatory Memorandum and Draft Global Minimum Tax Bill will contain more details on these proposals as well as an opportunity for public comment.

4.5 TAX PROPOSALS – ENVIROMENTAL TAXES

4.5.1 CARBON TAX

Rates

The carbon tax increased from R159 to R190/tonne of CO_2 equivalent from 1 January 2024. The carbon fuel levy will increase to 11c/litre for petrol and 14c/litre for diesel effective from 3 April 2024, as required by the Carbon Tax Act, 2019.

Effective 1 January 2024, the carbon tax cost recovery quantum for the liquid fuels sector increased from 0.66c/litre to 0.69c/litre.

Details on the below proposals and relevant tables are available in Annexure C of the 2024 Budget Review.

Aligning schedule 1 of the Carbon Tax Act with the updated greenhouse gas emissions methodological guidelines

As noted in the 2023 Budget Review, to ensure alignment between the Carbon Tax Act, 2019 and the Department of Forestry, Fisheries and the Environment's Methodological Guidelines

For Quantification Of Greenhouse Gas Emissions (the Guidelines), changes to the carbon dioxide emission factors and net calorific values for the relevant fuel types are necessary. It is proposed that the schedule 1 fuel combustion emissions factors and net calorific values are updated, and new fuel types added. To align with the Guidelines, it is proposed that the density factors for calculation of the carbon fuel levy be changed from 0.75 to 0.7405 kg/l for petrol and from 0.845 to 0.8255 kg/l for diesel. Effective date: 1 January 2024.

Including default emission factors for additional fugitive emissions source categories

The Methodological Guidelines included the default emission factors for fugitive emissions from coal mining, oil and gas operations. It is proposed that the fugitive emissions table in schedule 1 of the Carbon Tax Act be updated with effect from 1 January 2024.

Renewable energy premium deduction

Electricity generators including state-owned entities claim the renewable energy premium deduction for renewable energy purchased under power purchase agreements concluded as part of the Renewable Energy Independent Power Producer Procurement Programme and with private producers. As the generation, transmission and distribution functions of Eskom are separated, the power purchase agreements will be transferred to the National Transmission Company of South Africa when it commences operations. However, the carbon tax liability arising from greenhouse gas emissions in category 1A1a will remain with Eskom's generation function.

It is proposed that, effective 2 January 2024, the Carbon Tax Act be amended to allow electricity generators to continue to claim the renewable energy premium deduction for power purchase agreements ceded to the National Transmission Company of South Africa.

Aligning eligible Clean Development Mechanism project offsets with the Article 6(4) mechanism under the Paris Agreement

Under the Carbon Tax Act, offsets generated from approved projects developed under the Clean Development Mechanism (CDM) of the Kyoto Protocol are eligible for use by taxpayers for purposes of the carbon offset allowance. The adoption of Article 6(4) of the Paris Agreement provides for a new market mechanism to replace the CDM. To ensure alignment with the new mechanism and the transition of eligible CDM project activities, the National Treasury in consultation with the relevant department will consider the inclusion of the new mechanism as an eligible carbon offset standard and measures to facilitate the transition of existing CDM projects. Draft amendments to the regulations will be published for public comment and further consultation in 2024.

4.6 TAX PROPOSALS – INDIRECT TAXES

4.6.1 VALUE ADDED TAX (VAT)

Amendments to schedule 2, Part B for fruit and vegetables

It is proposed that items 12 and 13 of part B of schedule 2 of the Value-Added Tax Act, 1991 (the VAT Act) be amended to clarify that the zero-rating of VAT does not apply to pre-cut or

prepared fruit or vegetables. Amendments to schedule 1 part 1 of the Customs and Excise Act may also be needed.

VAT treatment of rental stock paid in terms of the National Housing Programme

Amendments to section 8(23) of the VAT Act, effective from 1 April 2017, resulted in confusion about the VAT status of rental stock under the National Housing Programme. Clarifying amendments are proposed.

Providing VAT relief for non-resident lessors of parts of ships, aircraft or rolling stock required to deregister due to recent amendments to the VAT Act

Previously, foreign lessors of parts of ships, aircraft or rolling stock were required to register for VAT because they were not covered under the proviso (xiii) exclusion in the definition of "enterprise" in section 1(1) of the VAT Act. However, the 2023 addition of: "or parts directly in connection thereto" to proviso (xiii) implied that foreign lessors were now required to deregister, resulting in the unintended consequence of such vendors facing an output tax liability under section 8(2). It is proposed that the VAT Act be amended to provide relief from this.

Clarifying the VAT treatment of the Mudaraba Islamic financing arrangement

Section 8A of the VAT Act does not address the VAT treatment of "Mudaraba" financing arrangements which causes disparity with the IT Act and uncertainty as to the VAT treatment thereof. Clarifying amendments are proposed.

Clarifying the VAT treatment of supply of services to non-resident subsidiaries of companies based in the Republic

The definition of "resident of the Republic" in section 1(1) of the VAT Act refers to the definition of "resident" in section 1 of the IT Act. The proviso to this VAT Act definition envisages a resident as someone conducting an "enterprise" in SA. Non-resident subsidiaries of companies based in the country may qualify under the definition of "resident" in the IT Act (due to being effectively managed in SA), and consequently in the VAT Act as well. Therefore, services supplied by the resident to the non-resident subsidiary may not be zero-rated.

Since these services will be consumed outside the country, it is proposed that the VAT Act be amended to exclude such subsidiaries from the definition of "resident of the Republic".

Reviewing the foreign donor funded project regime

The VAT Act requires each foreign donor funded project, as defined in the VAT Act, to be separately registered for VAT as a branch of the implementing agency, resulting in an increased administrative burden for recipients of foreign donor funding. To ease this burden, it is proposed that the foreign donor funded project regime be reviewed.

Updating the Electronic Services Regulations

Government proposes revising and updating the Electronic Services Regulations (and relevant sections of the VAT Act) to keep abreast with changes in the digital economy and ease the

administrative burden. The scope of the regulations should be limited to only non-resident vendors supplying electronic services to non-vendors or end consumers.

Regulations on the domestic reverse charge mechanism relating to valuable metal

Effective 1 July 2022, government introduced regulations to curb VAT fraud schemes in relation to gold and goods containing gold. It has been identified that these schemes and malpractices have now shifted to the primary gold sector, and it is proposed that the regulations be revised to address this.

Accounting for VAT in the gambling industry

In 2019 changes were made to section 72 of the VAT Act, which deals with the SARS Commissioner's discretion to make arrangements or decisions regarding the application of the VAT Act to specific situations where the manner in which a vendor or class of vendors conducts their business leads to difficulties, anomalies or incongruities. This impacted the arrangements or decisions made on or before 21 July 2019. Government has reviewed the impact of these decisions, and it is proposed that the specific ruling relating to accounting for VAT for table games of chance be incorporated into the VAT Act.

Prescription period for input tax claims

To ease the administrative burden on taxpayers and SARS, it is proposed that the VAT Act be amended in respect of the tax period in which prior periods' unclaimed input tax credits may be claimed. To ensure ease of audits and clarity of returns, it is also proposed that the VAT Act be amended to clarify that such deductions be made in the original period in which the entitlement to that deduction arose.

VAT claw-back on irrecoverable debts subsequently recovered

The current provisions of the VAT Act entitle a vendor to a deduction of the tax amounts written off as irrecoverable bad debt, at face value. However, there is no provision for any claw-back of these deductions where amounts are subsequently recovered. It is proposed that the VAT Act be amended to provide for this.

Supplies by educational institutions to third parties

It has been found that the VAT treatment of supplies provided by educational institutions to third parties is unclear, resulting in inconsistent treatment of these supplies. It is proposed that the VAT Act be amended to clarify the policy intention relating to these supplies.

4.7 TAX PROPOSALS – TAX ADMINISTRATION

4.7.1 CUSTOMS AND EXCISE ACT (THE C&E ACT)

Reviewing the process on packages imported through eCommerce

The approach to packages imported via eCommerce will be reviewed to ensure an appropriate balance between simplicity and compliance with customs and excise requirements is maintained.

Timeframe for delivery of export bills of entry

Certain exporters face legitimate challenges in complying with the timeframe for submitting export bills of entry. It is proposed that the C&E Act be amended to enable the SARS Commissioner to provide, by rule, for a process by which exporters may be allowed to submit export bills of entry at a different time than what is currently provided for in the C&E Act.

Simplifying the process of substituting bills of entry in certain circumstances

It is proposed that the C&E Act be amended to simplify the process of substituting a bill of entry in certain circumstances where such bill of entry has been passed in error or where an importer, exporter or manufacturer requested the substitution on good cause shown. A voucher of correction will no longer be required for this, and it is expected that the substituting bill of entry will replace the previous one.

4.7.2 VAT ACT

Non-resident vendors with no or a limited physical presence in South Africa

Due to the wide definition of “enterprise”, non-resident vendors may be required to register as vendors, despite having no physical presence in SA or having a very limited presence for a short period. Non-resident suppliers of electronic services were exempted from appointing a representative vendor who resides in SA and in opening a South African bank account – due to practical challenges.

To facilitate engagement and compliance, it is proposed that electronic services suppliers be required to appoint a representative vendor in future, but that the requirement that such person must reside in South Africa be waived. The exemption from opening a South African bank account is to be maintained. Furthermore, it is recommended that this dispensation be afforded to non-resident vendors with no, or a limited, presence in South Africa in specified circumstances.

Overpayments of VAT on the importation of goods and imported services

Prior to the introduction of the Tax Administration Act, 2011 (the TAA), the VAT Act made specific provision for a refund of tax paid in excess of the amount properly chargeable under the VAT Act. While the VAT Act, read with the TAA, provides for a refund of an amount under an assessment and of an amount erroneously paid, it does not adequately cater for a reduction in the amount of tax chargeable due to a subsequent event in respect of the import of goods by persons who are not registered as vendors or in respect of imported services. It is proposed that this be corrected.

Timing of VAT on imported services

In terms of the VAT Act, VAT should be accounted for and is payable by the recipient of imported services within 30 days of the earlier of receipt of the invoice issued by the supplier or the recipient or the time any payment is made by the recipient in respect of that supply.

In many instances it is impractical to comply with this time period, potentially resulting in the imposition of penalties and interest. It is therefore proposed that the time period be extended to 60 days.

4.7.3 TAX ADMINISTRATION ACT

Expanding the provision requiring the presentation of relevant information in person

SARS may require a person to attend its offices for an interview concerning the tax affairs of that person - usually to clarify issues of concern to SARS that would render further verification or audit unnecessary or to expedite a current verification or audit. It is proposed that the related provision be expanded to include instances where a taxpayer is subject to recovery proceedings for an outstanding tax debt or has applied for debt relief, to expedite these processes.

Clarifying provisions relating to original assessments

Concerns have been raised that the current legislative framework only covers certain types of original assessments, resulting in proposals for clarification.

Alternative dispute resolution proceedings

In terms of the TAA and the rules issued thereunder, alternative dispute resolution proceedings may only be accessed at the appeal stage of a tax dispute, where they are responsible for the resolution of most appeals.

It is proposed that SARS review the dispute resolution process to improve its efficiency, which may include allowing alternative dispute resolution proceedings at the objection phase of a tax dispute. This proposal is welcome as it would likely reduce many appeals and make for more efficient resolution of disputes.

Reviewing temporary write-off provisions

SARS may decide to temporarily write off an amount of tax debt if it is satisfied that the tax debt is uneconomical to pursue or for the duration of the period that the debtor is subject to business rescue proceedings under the Companies Act, 2008. It is proposed that the circumstances under which SARS may do this, be reviewed.

Removing the grace period for a new company to appoint a Public Officer

Every company that carries on business or has an office in South Africa must be represented by a public officer. Since companies are automatically registered for income tax on formation, it is proposed that the one-month period within which the public officer must first be appointed

be removed. A newly formed company will thus have both its directors and public officer in place on formation.

We look forward to seeing how this will be implemented and if it will address the current challenge of delays in SARS appointing the public officer (registered representative).

Implementing the Constitutional Court judgment regarding tax records access

In *Arena Holdings (Pty) Limited t/a Financial Mail and Others v South African Revenue Service and Others [2023] ZACC 13*, the Constitutional Court made findings regarding the constitutional invalidity of certain provisions of the Promotion of Access to Information Act (the PAIA), 2000 as well as the TAA. It has ordered that Parliament considers measures to address their constitutional validity and, in the interim, the court has ordered a “read-in” to the relevant provisions of the PAIA and those of the TAA.

It is proposed that these measures and the necessary amendments to affected legislation be addressed during the next legislative cycle.

4.8 TAX PROPOSALS – TAX TABLES

4.8.1 INDIVIDUALS AND TRUSTS

Income tax rates for natural persons and special trusts Year of assessment ending 28 February 2025 (unchanged)	
Taxable income (R)	**Taxable rates (R)**
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Natural persons

Tax thresholds		
	2024/25 R	**2023/24 R**
Below 65 years of age	95 750	95 750
Aged 65 and below 75	148 217	148 217
Aged 75 and over	165 689	165 689

Tax rebates		
	2024/25 R	**2023/24 R**
Primary – all natural persons	17 235	17 235
Secondary – persons aged 65 and below 75	9 444	9 444
Tertiary – persons aged 75 above	3 145	3 145

Trusts
The tax rate on trusts (other than special trusts which are taxed at rates applicable to individuals) is 45%.

Retirement fund lump sum withdrawal benefits

Taxable income	Rate of tax
R	R
1 – 27 500	0% of taxable income
27 501 - 726 000	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order).

Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to –

- the tax determined by the application of the tax table to the aggregate of lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011; less
- the tax determined by the application of the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011.

Retirement fund lump sum benefits or severance benefits

Taxable income	Rate of tax
R	R
1 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of the employer's trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (lump sum or severance benefit Y) is equal to –

- the tax determined by the application of the tax table to the aggregate of amount Y, plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less
- the tax determined by the application of the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit Y from March 2011.

Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax, at a rate of 20%, is withheld by the entities paying the dividends to the individuals.

Dividends received by South African resident individuals from REITs (listed and regulated property-owning companies) are subject to income tax, and non-residents in receipt of those dividends are only subject to dividends tax.

Foreign Dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Withholding tax on immovable property sales

The rate of withholding tax payable on disposal of immovable property by **non-residents** remains unchanged. The rate for individuals is 7.5%. Whilst the rate for companies is 10% and a rate of 15% applies to trusts.

Withholding tax on royalties

A final tax, at a rate of 15%, is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest withholding tax

A final tax, at a rate of 15%, is imposed on interest from a South African source, payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank, or if the debt is listed on a recognised exchange.

Withholding tax on foreign entertainers and sportspersons

A final tax, at the rate of 15%, is imposed on gross amounts payable to non-residents, for activities exercised by them in South Africa as entertainers or sportspersons.

Exemptions - Interest
Interest from a South African source earned by any natural person under 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from taxation.

Interest is exempt where earned by non-residents who are physically absent from SA for at least 182 days during the 12-month period before the interest accrues or the debt from which the interest arises is not effectively connected to a fixed place of business in SA of that non-resident.

Deductions - Pension, provident and retirement annuity fund contributions
Amounts contributed to pension, provident and retirement annuity funds during a year of assessment are deductible by members of those funds. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employees.

The deduction is limited to lesser of three items:

- R350 000; or
- 27.5% of the greater of a) remuneration and b) taxable income (excluding retirement lump sum benefits, but including any taxable capital gain); or
- Taxable income (excluding retirement lump sum benefits and excluding any taxable capital gain)

Any contributions exceeding the limitations are carried forward to the next year of assessment, and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sums and against retirement annuities.

Deductions - Donations
Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

Deductions - Medical and disability expenses

In determining tax payable, individuals are allowed to deduct:

- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) by the individual who paid the contributions up to R364 (PY: R364) for each of the first two persons covered by those medical schemes, and R246 (PY: R246) for each additional dependant; and
- in the case of
    - an individual who is 65 and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year; or

- any other individual, 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Allowances – Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic of South Africa and the allowance or advance is granted to pay for—

- meals and incidental costs, an amount of R548 (previously R522) per day is deemed to have been expended;
- incidental costs only, an amount of R169 (previously R161) for each day which falls within the period is deemed to have been expended.

Where the accommodation to which that allowance or advance relates is outside the Republic of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website.

Allowances - Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business travel, where no records of actual costs are kept are determined by using the table to be provided by SARS. Note, at the time of publishing, this table was not available.

Note:

- 80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan).
- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.
- The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travelling allowance.

Alternative simplified method:

Where an allowance or advance is based on the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee, up to the rate published on the SARS website www.sars.gov.za, under Legal Counsel/Secondary Legislation/Income Tax Notices.

However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Deductions - Other deductions

Other than the deductions set out above an individual may only claim deductions against employment income or allowances in limited specified situations.

Fringe Benefits - Employer contributions to retirement funds for employees' benefit

- The taxable fringe benefit is equal to the actual contribution where the benefits payable to the employee consists solely of defined contribution components.
- Where the benefits payable to the employee do not consist of defined contribution components, the taxable fringe benefit is calculated in terms of a formula.

Employer-owned vehicles

- The taxable value is 3.5% of the determined value (retail market value) per month of each vehicle. Where the vehicle is–
  - the subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3.25% of the determined value; or
  - acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes;
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year;
- On assessment further relief is available for the cost of license, insurance, maintenance and fuel for private travel, if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

Fringe benefits - Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income.

Fringe benefits - Residential accommodation

The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula, or the cost to the employer if the employer does not have full ownership of the accommodation.

The formula applies if the accommodation is owned by the employee, but it does not apply to holiday accommodation rented by the employer from non-associated Institutions.

4.8.2 CORPORATE TAX RATES

Companies, PSPs and foreign resident companies

YEARS OF ASSESSMENT ENDING BETWEEN 1 APRIL 2024 AND 31 MARCH 2025 (unchanged since prior year)		
Normal tax		
Companies and close corporations	Basic rate	27%
Personal service provider companies (PSPs)	Basic rate	27%
Foreign resident companies which earn income from a SA source	Basic rate	27%

Small business corporations

Financial years ending on any date between 1 April 2024 and 31 March 2025

Taxable income	Rate of tax
R	**R**
1 – 95 750	0% of taxable income
95 751 – 365 000	7% of taxable income above 95 750
365 001 – 550 000	18 848 + 21% of taxable income above 365 000
550 001 and above	57 698 + 27% of the amount above 550 000

Micro businesses

Financial years ending on any date between 1 March 2024 and 28 February 2025

Taxable turnover	Rate of tax
R	**R**
1 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

4.8.3 EFFECTIVE CAPITAL GAIN TAX RATE

Capital gains on the disposal of assets are included in taxable income.

Maximum effective rate of tax		
	2024/25	**2023/24**
Individuals and special trusts	18%	18%
Companies	21.6%	21.6%
Other trusts	36%	36%

4.8.4 OTHER TAXES DUTIES AND LEVIES

Value-added Tax (VAT)

VAT is levied at the standard rate of 15% on the supply of goods and services by registered vendors. A vendor making taxable supplies of more than R1 million per annum must register for VAT. A vendor making taxable supplies of more than R50 000, but not more than R1 million per annum may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT.

Transfer duty

Transfer duty is payable at the following rates on transactions in respect of acquisition of property **on or after 1 March 2023** which are not subject to VAT. No change for the current year.

Value of property (R)	Rate
1 – 1 100 000	0%
1 100 001 – 1 512 500	3% of the value above 1 100 000
1 512 501 – 2 117 500	R12 375 + 6% of the value above R1 512 500
2 117 501 – 2 722 500	R48 675 + 8% of the value above R2 117 500
2 722 501 – 12 100 000	R97 075 + 11% of the value above R2 722 500
12 100 001 and above	R1 128 600 + 13% of the value above R12 100 000

Transfer duty is payable at the following rates on transactions in respect of acquisition of property **on or after 1 March 2020, but before 1 March 2023** which are not subject to VAT.

Value of property (R)	Rate
0 – 1 000 000	0%
1 000 001 – 1 375 000	3% of the value above 1 000 000
1 375 001 – 1 925 000	11 250 + 6% of the value above 1 375 000
1 925 001 – 2 475 000	44 250 + 8% of the value above 1 925 000
2 475 001 – 11 000 000	88 250 + 11% of the value above 2 475 000
11 000 001 and above	1 026 000 + 13% of the value above 11 000 000

Estate duty

Estate duty is levied on property of residents and South African property of non-residents less allowable deductions. The duty is levied on the dutiable value of an estate at a rate of 20% on the first R30 million and at a rate of 25% above R30 million.

A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

Donations tax

- Donations tax is levied at a flat rate of 20% on the cumulative value of property donated since 1 March 2018, up to R30 million.
- Donations exceeding R30 million is taxed at a rate of 25%, since 1 March 2018.
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax;
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total;
- Dispositions between spouses and South African group companies and donations to certain public benefit organisations are exempt from donations tax.

Securities transfer tax

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

Tax on International Air Travel

The tax amounts to R190 per passenger departing on international flights, excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100 per passenger, remains unchanged.

Skills Development Levy

A skills development levy (SDL) is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the paying the levy.

Unemployment Insurance Contributions

Unemployment insurance contributions are payable monthly to SARS by employers on the basis of a contribution of 1% by employers and 1% by employees, based on employees' remuneration below a certain amount.

Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

REFLECTIONS

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