

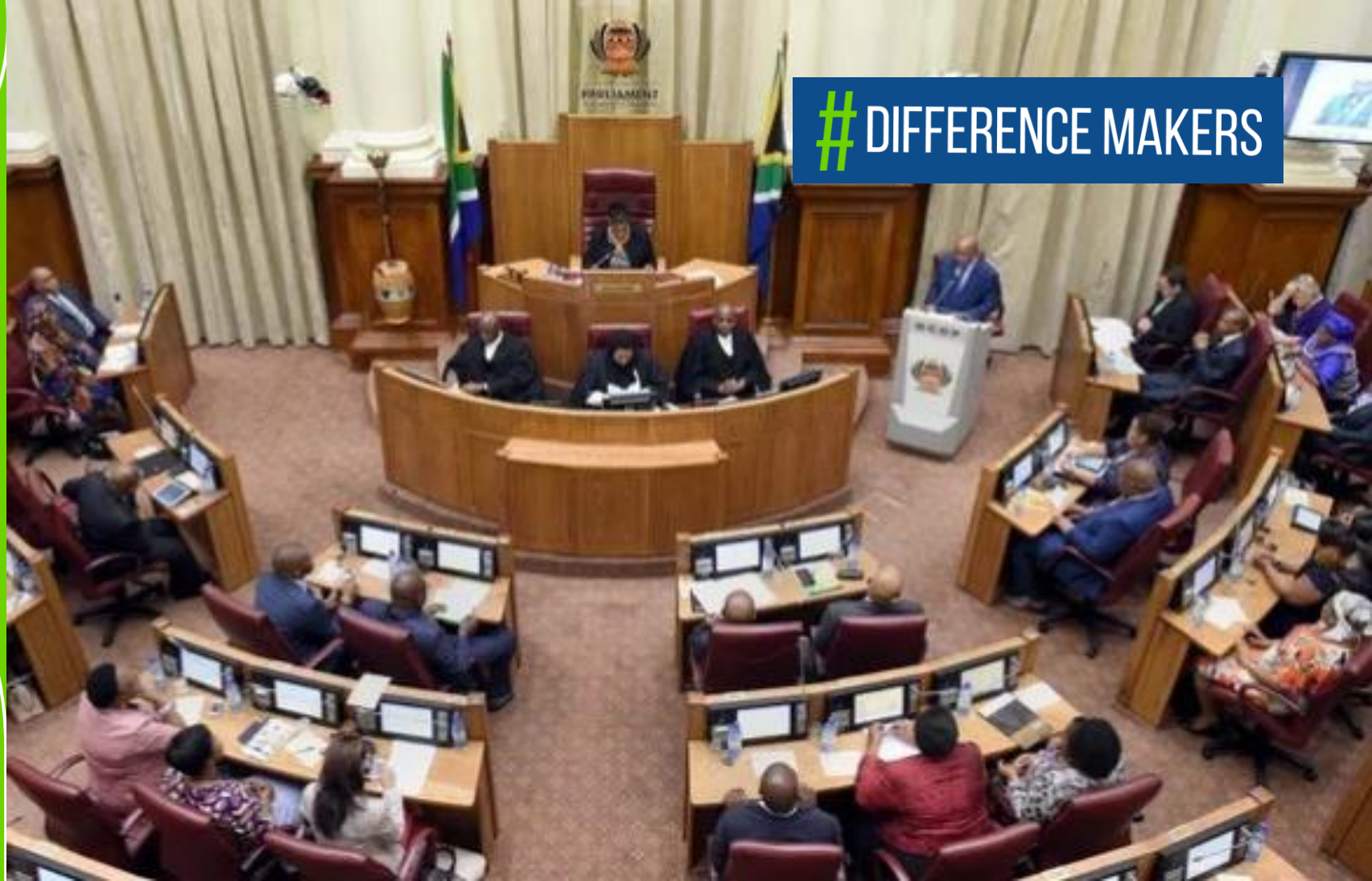
PUBLIC HEARINGS

Standing Committee on Finance

2025 RATES AND MONETARY AMOUNTS BILL

Lesedi Seforo & Pieter Faber

21 October 2025



#DIFFERENCE MAKERS



RATE AND THRESHOLD ADJUSTMENTS



 CA(SA)  AGA(SA)  AT(SA)

#DIFFERENCE
#MAKERS

TAX RATES AND THRESHOLDS

PRINCIPLES

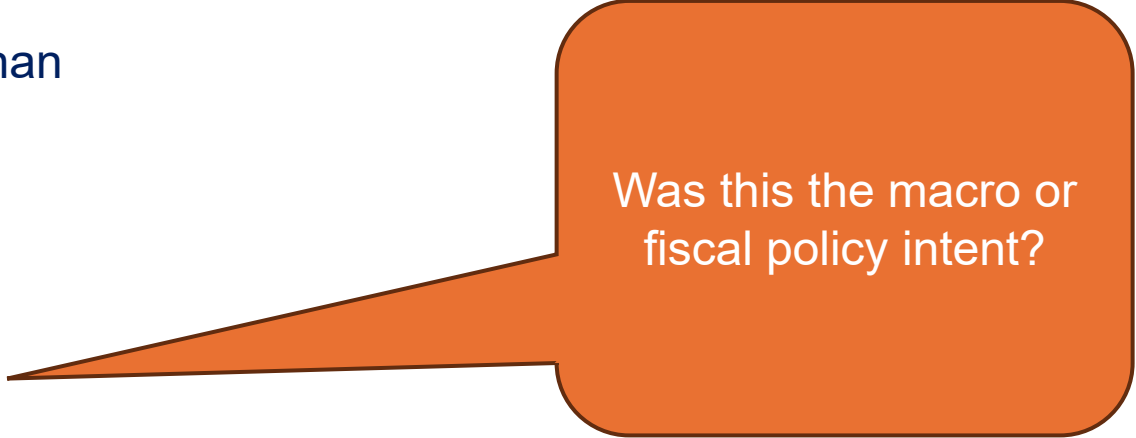
- Applies to:
 - Progressive tax system
 - Tax admin simplification
 - Macroeconomic policy implementation
 - Relief for unintended scope
- Inflation should not indirectly impact or change policy intention i.e. inflation neutrality for non-tax collection brackets

	Item	Legislative provision	Amount	Last increased
1	Provisional Tax under-estimation penalty	Para 20, 4th Schedule ITA	R1 million	2015
2	Small business Corporation gross income	Section 12E(4)(a)(i) ITA	R20 million	2013
3	Small business Corporation tax table maximum threshold	Income Tax Act (RMAARLA)	R550 000	2013
4	Donations Tax exemptions	Section 12E(4)(a)(i) ITA	R100 000 & R10 000	2002
5	CGT natural persons annual exclusion	Para 5(1), 8th Schedule, ITA	40 000	2012
6	CGT natural persons exclusion (death)	Para 5(2), 8th Schedule, ITA	300 000	2012
7	CGT definition of 'small business'	Para 57, 8th Schedule, ITA	R10 million	2012
8	CGT exemption on disposal of 'small business' assets	Para 57(3), 8th Schedule, ITA	R1,8 million	2012
9	CGT Primary Residence rebate	Para 45, 8th Schedule, ITA	R2 million	2012
10	Withholdings Tax on non-resident's sale of property	Section 35A(14) ITA	R2 million	2015
11	VAT compulsory registration threshold	Section 23(1)(a) VAT Act	R1 million	2008
12	Public Benefit Organisation (non-donation) income exemption	Section 10(1)(cN) ITA	R200 000	2011
13	Body Corporate (non-levies) income exemption	Section 10(1)(e) ITA	R50 000	2011
14	Estate Duty exemption	Section 4A(1), Estate Duty Act	R3,5 million	2011
15	Tax-free Investment (tax-free contribution limit)	Section 12T(4)(a) ITA	R36 000	2020
16	Tax-free Investment (penalty application)	Section 12T(7)(b) ITA	R500 000	2015
17	Wear and tear allowance for "small items"	Section 11(e) ITA	R7 000	2009
18	Long-service awards fringe benefit	Para 5(2)(b), 7th Schedule ITA	R5 000	2002

TAX RATES AND THRESHOLDS

EXAMPLE – SMALL BUSINESS

- SBC lower rates and increases allowances
- Small Business revenue criteria of less than R20 million per 2013 policy intent
- 78% inflation in this period
- Therefore, we have reduced the Small Business definition to a revenue of approximately **R11.24m in 2013**, nearly half.



Was this the macro or fiscal policy intent?

TAX RATES AND THRESHOLDS

EXAMPLE – PRIMARY RESIDENCE

- Exclude middle class taxpayers' primary houses from new tax introduced in 2001
- Avoid new tax increasing cost of housing as policy intent
- 84% inflation in this period, monetary threshold last adjusted in 2012
- Therefore, we have reduced the Primary Residence exclusion monetary exclusion to R1,09m in **2012**, again nearly half.



Was this the macro or fiscal policy intent?

TAX RATES AND THRESHOLDS

RECOMMENDATION

- SCoF to request National Treasury to review and distinguish primary tax collection brackets from other policy instruments
- SCoF to review and consider which rates and thresholds are not primary fiscal collection instruments and should be adjusted to align to policy intent.

MINISTERS' POWERS TO SET TAX RATES



MINISTER'S POWERS

CONCERNS

- Refer **SAICA submissions** in 2016, 2018 and 2025 on our legal concerns and current jurisprudence on the matter of the Executive having primary legislative powers
- On 27 April 2025 the Minister of Finance conceded to a judgement of the Western Cape High Court and
 - Suspended the announcement of the VAT rate increase
 - Set aside the resolutions of Parliament on the adoption of the 2025 Fiscal Framework
- The Minister noted in affidavit that his legal advice contradicts the applicants as to the nature and legality of the “temporary legislative” powers afforded
- The matter was never legally resolved, just politically.
- **QUESTION REMAINS: Is Parliament lawfully conferring primary legislative powers on the Minister i.e. it cannot functionally ‘unscramble a tax rate change egg’ and therefore has no power of revision?**

MINISTER'S POWERS

RECOMMENDATION

- Parliament use the **current legislative cycle** to correct any deficiency as to the powers afforded the Minister to set tax rates
- Tax rate increases are a significant risk for 2026 onwards per Budget 2025. Avoid delays to **Budget 2026** process due to litigation
- Parliament review other constitutional concerns with tax and tax administrative laws as raised by the judiciary and public, including SAICA.

THANK YOU

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