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20 October 2025

Mr. Allan Wicomb and Ms. Sepanya
Parliament Standing Committee on Finance
90 Plein Street
Cape Town
8001

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Dear Sir and Madam

STANDING COMMITTEE ON FINANCE: PUBLIC HEARINGS ON THE RATES AND MONETARY AMOUNTS BILL 2025

The South African Institute of Chartered Accountants (SAICA) herewith presents its comments and submissions on the 2025 Rates and Monetary Amounts and Amendment of Revenue Laws Bill (Rates Bill) released by Standing Committee on Finance (SCoF) for public comment on 6 October 2025. We thank ScoF for the ongoing opportunity to provide constructive comments in this regard. SAICA continues to believe that a collaborative approach is best suited in seeking solutions to complex challenges.

Change in Macroeconomic policy through threshold creep

SAICA has over the years raised various concerns over the lack of adjustment for a minimum of inflation to various rates, exclusions and thresholds.

The matter was again included in our 2025 Annexure C submission. National Treasury noted that the adjustment for inflation or otherwise to brackets, rates or thresholds is a fiscal policy and fiscal affordability matter as considered by the Minister of Finance in the preparation of the National Budget.

It is submitted that this is an overly simplistic approach to the matter. Brackets, rates and thresholds have different policy intents, not just tax collection. Some thresholds seek to alleviate administration by excluding certain taxpayers from the process, others seek to implement macroeconomic policy by incentivising certain conduct, while some seek to determine the progressive nature of our tax system.

As can be seen in Annexure A, some of the rates and thresholds have not been adjusted for inflation or macroeconomic policy intent **since 2002**. We set out 2 examples to demonstrate the point below.

Small Business thresholds

In the National Development Plan (NDP), South Africa's macroeconomic policy is stated under **Faster and more inclusive economic growth**: Per the NDP, our macroeconomic policy includes providing

"Support for small businesses through better coordination of relevant agencies, development finance institutions, and public and private incubators……"

….Small- and medium-sized enterprises will play an important role in employment creation. According to the Finscope (2006) survey, 90 percent of jobs created between 1998 and 2005 were in small, medium and micro enterprises.

However, as can be seen by the lack of adjustment since 2013 to what would constitute a small business in a financial context, the original policy intent is undermined. Inflation during this period was 78%, which means this threshold should be closer to R35,6 million. The lack of alignment to what would constitute a small business means it is not consistently aligned throughout policy instruments (this was also in SAICA's submission on the 2022 Integrated Small Business Master Plan). By not adjusting the thresholds for what would actually constitute a small business, National Treasury is through mere inflation increases, overriding macroeconomic policy without really impacting total tax revenue collection.

Primary Residence exclusion

When capital gains tax was introduced in 2000 to come into effect from 2001, a policy decision was made not to tax a certain category of primary residence (i.e. the main place where someone stays and lives). The policy rationale would include that taxing this "personal use" item would create an affordability concern and increase house prices as sellers seek to recover the cash tax impact to enable them to purchase another property.

The primary residence rebate which excludes from Capital Gains Tax houses sold for a capital gain of R2 million or less has been the same since 2012. Average house price inflation in South Africa over this period was 98%. Thus, to keep the same policy rationale and principle as to which houses the government does not want to impact economically, the threshold would have to be about R3,96 million.

Submission: It is requested that ScoF request National Treasury to revisit its review of all rates, thresholds and brackets and clearly identify which are macroeconomic drivers or policy matters as opposed to direct pure fiscal policy affordability matters such as the income tax brackets.

Regards

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The South African Institute of Chartered Accountants

ANNEXURE A – SAICA 2025 Annexure C submission to National Treasury

CATEGORY – TAX THRESHOLDS, REBATES AND EXEMPTIONS

Non-adjustment of various tax thresholds, exemptions and limits

Legal Nature

1. The various tax Acts include specific amounts for exemptions, thresholds and rebates. These include the following:

	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

Factual Description

2. These exemption and threshold amounts have not been adjusted to account for inflation. In the majority of cases, there has been no such adjustments for over a decade.

3. We have previously raised this issue multiple times at the Annual Annexure C workshops, but the issue continues to be ignored by NT.

The nature of taxpayers impacted

4. All taxpayers.

Proposal

5. It is submitted that NT reviews all exemption, and threshold amounts in the various tax Acts and increase them in line with inflation.