



FOCUS

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SOLUTIONS



VIRTUAL 2021
BUDGET SPEECH
OVERVIEW

24 FEBRUARY 2021

2020 IN HINDSIGHT: SARS' STATISTICS - 2020

Revenue Collected

R1 647.8 billion

Gross Revenue Collected

R1 575.6 billion

2018/19

R292.0 billion

Refunds Paid

R287.9 billion

2018/19

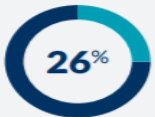
Net Revenue Collected

R1 355.8 billion

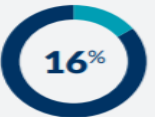
R1 287.7 billion 2018/19



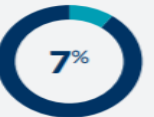
PIT



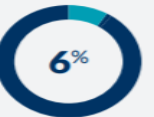
VAT



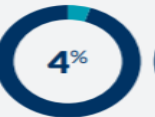
CIT



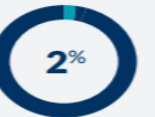
Other



Fuel Levy



Customs
Duty

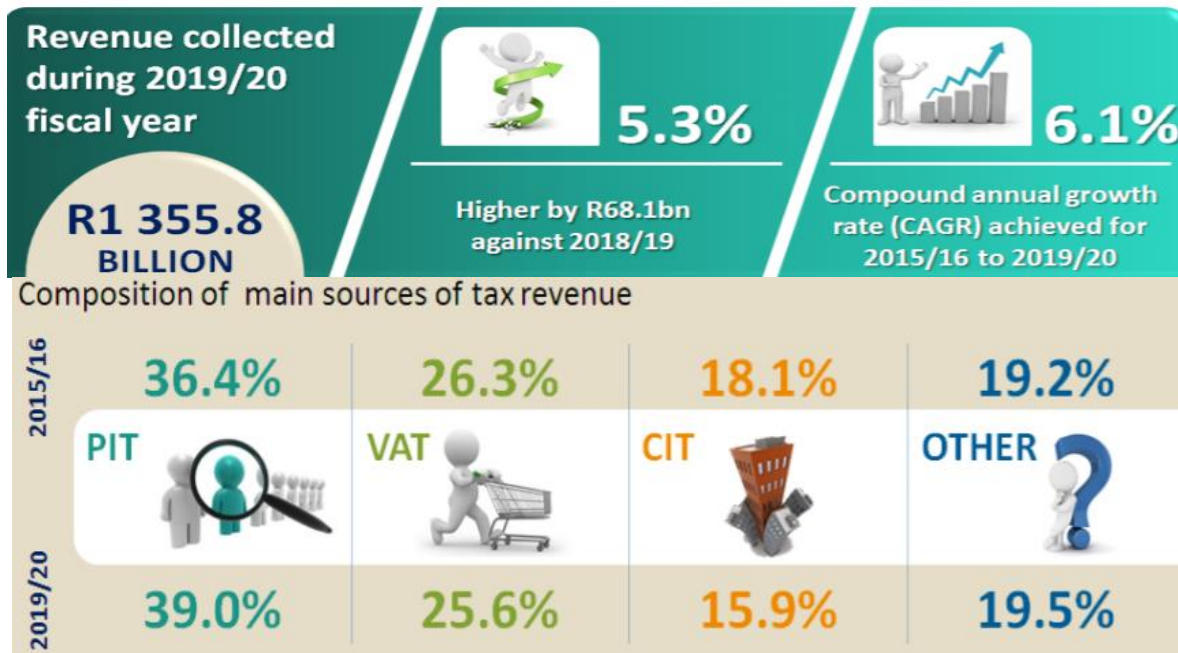


DT/STC

Projected for
2021:
R1 210 billion
Down 10,6%

2020 IN HINDSIGHT: SARS' STATISTICS – 2020

Position: 2015 to 2020



2020 IN HINDSIGHT: SARS' STATISTICS - 2020



Cost of revenue collection for 2014/15 to 2019/20

Year	2014/15**	2015/16	2016/17	2017/18	2018/19**	2019/20
	R million	R million	R million	R million	R million	R million
Tax revenue	986 295	1 069 983	1 144 081	1 216 464	1 287 690	1 355 766
Operating cost*	9 523	10 245	10 696	10 795	10 792	10 841
	%	%	%	%	%	%
Cost to tax revenue ratio	0.97%	0.96%	0.93%	0.89%	0.84%	0.80%

Note: * Controlling entity

**2014/15 and 2018/19 Operating cost has been restated

2020 IN HINDSIGHT: SARS' STATISTICS - 2020

Active Register



2020 IN HINDSIGHT: SARS' STATISTICS - 2020

Registered individuals **22.2 million**



Expected to submit returns

6.3 million

Assessed taxpayers

4.3 million

68.8%
Assessed



Females assessed
45.8%

Males assessed
54.2%



**Individual Taxable
Income Reported:**

1,149,018 > R500k

6,554 > R5m

Of those assessed...

...owed SARS

18.1%



13.6%

...had a zero assessment.



68.3%

...received refunds.



40.9%

...were registered in
Gauteng

2021 BUDGET TIPS



Tito Mboweni
@tito_mboweni

Budget 2021 Tips for MoF.



TIPS FOR
MoF
Submit your
Budget **Tips**

To submit your tips, go to the National Treasury Twitter account **@TreasuryRSA** or email them to **BudgetTips@Treasury.gov.za**

#CutTheFat before you tax!



matheko morare
@MathekoMorare

**NO TAX INCREASE.
-Half the staff in parliament.

Tips for MoF

*No tax increases except for millionaires and politicians 🍆

*Invest in social workers: There will be an increased need for them as a result of Covid19 deaths

BUDGET HIGHLIGHTS

- Corporate income tax rate reduced to 27% with effect from years of assessment commencing on or after 1 April 2022
- No bracket creep as income tax brackets will be increased by 5%
- Renewed focus on transfer pricing and tax base erosion
- Dedicated unit to focus on individuals with wealth and complex financial arrangements on the basis that first communication is expected during April 2021
- Abolishment of the section 12J venture capital company regime on the basis that its sunset date is 30 June 2021 (wealthy taxpayers invested and most support has gone to low risk ventures)
- Review travel and home office allowance as currently very difficult for taxpayers to claim allowance for home study as home study must be specifically equipped for purposes of the taxpayer's trade and regularly and exclusively use for such purpose

CURBING ABUSE OF THE EMPLOYMENT TAX INCENTIVE

- Employers have entered into agreements with training institutions where training institutions provide training to the individuals
- Employers never meet the individuals nor necessarily offer employment to individuals
- Employers pay the training institution a fee to train the individual and at the same time claim the ETI incentive
- Some employers have more employees in their employment in this manner than normal employment
- An employment contract will now have to adhere to the recordkeeping provisions in accordance with the Basic Conditions of Employment Act (1 March 2021)

CESSION OF A CONTRACT OR RIGHT TO RECEIVE AN ASSET TO A TRUST FOR NO CONSIDERATION

- A taxpayer will cede the right to receive income or the use of an asset to a trust whilst retaining the obligation to render services
- At the time of cession the contract or asset is worth zero
- As and when services are rendered, the asset or contract obtains value
- In future this could also be seen to be a donation and valuation rules will be introduced

DO NOT EMIGRATE !

- Apart from the three year rule that was introduced pertaining to the access to retirement funds upon emigration, the retirement fund interest will now also be deemed to have been withdrawn from the fund on the day before emigration
- If the investment is retained in the retirement fund and only withdrawn later, payment is deferred until payments are received from the retirement fund or as a result of retirement. A tax credit will be provided for the deemed retirement withdrawal tax as calculated when the individual ceased to be a South African tax resident. Otherwise there would not have been any South African tax

THE USE OF CONTRIBUTED TAX CAPITAL OR SHARE CAPITAL BY A COMPANY

- The return of contributed tax capital (“**CTC**”) by a company is not deemed to be a dividend and thus not subject to dividends tax
- A shareholder may not receive CTC in excess of an amount per share that is derived by dividing the total CTC by the number of shares in that class immediately before the capital distribution
- Some consultants argued that “*share premium*” contributed by a particular shareholder can only be allocated to that shareholder and not to all the shareholders within the same class of shares. In future shareholders within the same class of shares must be treated equally in the allocation of CTC

EQUAL TREATMENT OF HYBRID DEBT PROVISIONS

- Certain commentators interpret section 8F and section 8FA dealing with hybrid debt instruments to provide that the interest on these instruments is deemed to be a dividend in the hands of the issuer only
- Amendment will be made to address the concern so as to ensure that the receipt will also be exempt in the hands of the recipient as opposed to being taxable interest

CORPORATE REORGANISATION RULES

- Various amendments to be consistent and not result in double taxation
- **Section 42:** asset for share transactions:
 - Certain anti-avoidance provisions exist where the transferee assumes debt to acquire the asset from the seller.
 - Currently it is provided that the seller is deemed to have received additional consideration equal to the amount of the debt assumed by the company when one disposes of the shares.
 - To combat the undermining of this rule, the additional consideration (equal to the amount of the debt assumed) will be taken into account in respect of all future corporate reorganisation transactions until the shares are disposed of in a transaction that falls outside the corporate reorganisation transactions
- **Section 45:** intra-group transactions
 - Nil base cost for debt issued will only apply for 6 years after the inter-group transaction (loan that could have arisen)

CORPORATE REORGANISATION RULES (cont.)

- **Section 46:** unbundling transactions
 - With the changes to unbundling provisions, rollover relief does not apply to a disqualified person if it holds at least 5% of the equity shares in the unbundling company
 - Increasing base cost to the extent that the unbundling company did not qualify for tax deferral
 - Limitation of base cost will only apply to shares acquired through an unbundling transaction and not subsequently in terms of a third-party transaction

GENERAL

- No increase in CGT rates or introduction of wealth tax
- Introduction of royalty withholding tax declarations

REVIEW OF ADVANCED TAX RULING SYSTEM / VOLUNTARY DISCLOSURE PROGRAMME

- Proposals to be made to streamline the ATR system and VDP system (especially in relation to what is voluntary)

EXCHANGE CONTROL RELAXATION

- Relaxation expected to be substantially completed this year
- Specific rules for companies with dual listing will be aligned to current foreign direct investment rules
- Government will implement reforms promoting South Africa as a financial hub for the continent in light of the African Continental Free Trade Agreement

FINANCIAL SECTOR LEVIES

- Bill to impose levies on the financial sector to be tabled early in 2021.
- Revenue will fund the Prudential Authority and the Financial Sector Regulation Act (Twin Peaks regulatory system)

THANK YOU FOR ATTENDING THE BUDGET EVENT
WITH US

© 2021

VALUE ADDED TAX

Gerhard Badenhorst



Value added tax

- VAT revenue: R325 bn - 26.77% of total tax revenue (2019/20: 25.58%)
- No VAT rate increase

VAT proposals

- Gold export industry: regulations to counter malpractices in claiming VAT refunds
- Super fine maize meal: to be included in list of zero-rated food items
- Property developers: temporary letting of residential units developed for sale
- Insurance: aligning the VAT Act with the Insurance Act

Consol Glass v CSARS

- Issue: whether VAT on fees paid for a debt restructure to replace Eurobonds with local loan funding is deductible as input tax; whether foreign fees paid are imported services
- Facts: manufacturer issued Eurobonds to fund the acquisition of manufacturing businesses as going concerns. Eurobonds redeemed and replaced with local bank loan funding
- SARS arguments: acquiring a loan comprises a 'debt security'; acquiring loan funding is not closely connected to making taxable supplies
- Judgment: a conventional loan is not a 'debt security'; VAT on fees are not deductible as input tax; fees paid to foreign services providers are imported services;
- Implications

Rappa Resources v CSARS

- Issue: whether SARS is entitled to withhold a refund whilst carrying out an audit
- Facts: SARS withheld VAT refunds of some R1.6 bn whilst carrying out an audit. Rappa brought an urgent application to the High Court for an order that the audit be completed, and refunds paid
- SARS arguments: In terms of s190(2) of the TAA SARS need not authorise a refund before an audit is finalised; SARS is only compelled to pay a refund in terms of s190(3) of the TAA if security is provided for the total amount of the refund
- Judgment: security can be offered for part of the refund and refund must be paid to such extent; SARS cannot withhold refunds for period not under audit; SARS ordered to complete audit by a specified date
- Implications