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**MEDIA STATEMENT**

2007 Revenue Laws Amendments

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The Minister of Finance is releasing the draft 2007 Revenue Laws Amendments today at 17:00, for public comment. This legislation, together with the Taxation Laws Amendment Act, 2007 (already promulgated on 8 August 2007) give effect to the tax proposals presented by the Minister of Finance in the 2007 National Budget as tabled in Parliament on 21 February 2007 (and outlined in detail in chapter 4 and Annexure C of the 2007 Budget Review).

The Amendments published today deal with the more complex policy proposals, particularly those related to business tax issues, including:

1. *Base broadening for the Secondary Tax on Companies ("STC"):* The STC rate on dividends will be dropped from 12,5 per cent down to 10 per cent as of 1 October 2007. The proposed amendments will also deal with a number of schemes designed to avoid the STC through artificial distributions of share capital and share premium.
2. *Capital versus ordinary treatment of shares:* Capital gains face a much lower rate of tax than ordinary revenue (e.g. in the case of individuals, the top capital gains rate is 10 per cent; whereas, the top ordinary rate is 40 per cent). Subject to anti-avoidance rules of limited application, the proposed legislation clarifies that the disposal of all shares will be treated as having a capital nature as long as those shares are held for at least three years.
3. *Depreciation incentives:* The proposed amendments provide depreciation incentives for various assets that are currently ineligible. Depreciation incentives will be added to rolling stock, railway lines, port infrastructure assets, commercial buildings and environmental manufacturing assets.

The Amendments also deal with the following issues:

1. *Work death benefits:* Employees are entitled to tax exemption when receiving death or disability benefits in terms of the Compensation for Occupational Injuries and Diseases Act, 1993 (Act No. 130 of 1993). The proposed amendments allow an additional R300 000 exemption when employers pay an additional amount to the families of former employees who die from a work related injury.

2. *Professional sports funding and amateur sports:* The Revenue Laws Amendments facilitate the funding of amateur sports activities by professional sports. This form of funding will be deductible to the extent that both the professional and amateur sports arms fall within the same taxable entity. This proposal should assist in the effort to have amateur sports operating as a feeder to professional sports.
3. *Co-operative Banks:* National Treasury recently introduced the Co-operative Banks Bill to facilitate banking access to rural communities and individuals. The proposed amendments support these efforts by ensuring that co-operative banks will be potentially eligible for small business tax relief (e.g. which has a current R43 000 taxable income exemption and a 10 per cent rate up to R300 000 with a 29 per cent rate above R300 000).
4. *Merger of Stamp Duty and the Uncertificated Securities Tax:* Two sets of tax regimes currently apply to transaction taxes falling on the transfer of shares. The Stamp Duties Act (Act No. 77 of 1968) applies to unlisted shares and the Uncertificated Securities Tax, 1998 (Act No. 31 of 1998) applies to listed shares. In order to simplify compliance and administration, both taxes will be merged into a new transactional tax. The new regime also modernises various sets of relief measures relevant to this form of taxation.

### **Public Comments and Parliamentary Hearings**

The National Treasury is scheduled to brief Parliament's Portfolio Committee on Finance on the draft legislation on 18 September, 2007. Parliament will through its own processes request public comments on the Amendments, and thereafter hold public hearings in October 2007. Whilst all comments should be submitted to the Parliament's Portfolio Committee of Finance, members of the public are also invited to send the same comments to the National Treasury and South African Revenue Service directly, before 8 October 2007 (and hence before the hearings).

National Treasury will consider all such comments submitted to it, SARS and to the Portfolio Committee of Finance, as well as any recommendations arising from the Parliamentary hearings, when finalising the legislation for tabling in Parliament in mid-October 2007.

It should be noted that for technical reasons, the 2007 Revenue Laws Amendments comprise three bills, namely:

The Revenue Laws Amendment Bill (consolidated)

The Securities Transfer Tax Bill (a section 77 money bill in terms of the Constitution)

The Securities Transfer Administration Bill (a section 75 bill in terms of the Constitution)

For the sake of convenience, the Revenue Laws Amendment Bill is consolidated at this stage, but will be further split into a section 77 money bill and a section 75 bill when it is formally tabled in Parliament (hence a total of four bills will be tabled in October).

Note that in addition to the Bills, two Explanatory Memoranda are also published to assist in interpreting and understanding the above bills. Copies of the Bills and the two Explanatory Memoranda will be available from 17:00 today at the National Treasury ([www.treasury.gov.za](http://www.treasury.gov.za)) or SARS ([www.sars.gov.za](http://www.sars.gov.za)) web sites.

For further information contact Thoraya Pandy on 012 315 5944.

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