

MEDIA STATEMENT

Publication of the 2018 Draft Taxation Laws Amendment Bill and 2018 Draft Tax Administration Laws Amendment Bill for public comment

The National Treasury today publishes the draft Taxation Laws Amendment Bill, 2018 (TLAB) and draft Tax Administration Laws Amendment Bill, 2018 (TALAB). The TLAB and TALAB include the legislative amendments for the more complex tax proposals that were announced in the 2018 Budget Review on 21 February 2018.

These bills complement the draft Rates and Monetary Amounts and Amendment of Revenues Laws Bill (Rates Bill), which was published on Budget Day on 21 February 2018. They therefore exclude the tax proposals covered in the draft Rates Bill, which covered, *inter alia*, the changes to:

- a) the value-added tax rate;
- b) the personal income tax brackets;
- c) the medical tax credits;
- d) the rate of estate duty and donations tax; and
- e) excise duties.

Public consultations on the draft Rates Bill are currently in progress in Parliament, and Parliament will communicate the specific dates for the public consultations on the TLAB and TALAB, which is expected to be in August 2018. It should be noted that tax bills have a different parliamentary process to other bills, with consultations taking place on the draft bills, after which they will still be formally tabled in Parliament which is expected to be at the end of October 2018.

National Treasury and the South African Revenue Service (SARS) welcome written public comment on the tax proposals contained in the TLAB and the TALAB. After receipt of the comments, National Treasury and SARS will invite all those who provided inputs to attend further workshops to discuss the issues raised in greater detail.

Parliament will also initiate its own hearings and consultations process after mid-August. National Treasury and SARS will thereafter publish a response document to provide formal written responses to the queries on the bills and will prepare revised versions of the TLAB and TALAB, which incorporate changes arising from these engagements. The current version of the bills, the response document and the revised bills will be presented to the Standing and Select Committees on Finance before they are tabled in Parliament.

The main tax proposals contained in the draft TLAB are:

- Providing more flexibility for the treatment of retirement fund transfers and withdrawals;
- Introducing a fringe benefit exemption for lower-income employees who receive a loan from their employer for low-cost housing;
- Reviewing the International Shipping exemption for purposes of accommodating the use of replacement ships;
- Shortening the write-off period for electronic communications cables;
- Refinements and clarification for the conversion of debt to equity;
- The refinement of the interaction between the anti-avoidance rules for dividend stripping with corporate re-organisation rules;
- Inserting rules addressing the use of trusts to defer tax or recharacterise the nature of income; and
- Introduction of a one year income characterisation rule for amounts accrued to portfolios of collective investment schemes to provide certainty and limit potential abuse.

The main tax administration proposals contained in the draft TALAB relate to:

- A removal of the requirement to submit tax returns for individuals receiving a tax-exempt dividend;
- Anti-forestalling amendments for excise duties;
- Clarifications on handling incorrect invoices for value-added tax refunds; and
- Allowing the collection of value-added tax payments to apply across branches and divisions.

Other issues arising from previous legislative commitments:

Extension of the Employment Tax Incentive

The draft TLAB contains a draft proposal to extend the Employment Tax Incentive for a further term of 5 years. This proposal is subject to further consultation and review. As part of the review of this programme, a round of consultations with social partners has been convened by the NEDLAC secretariat. In addition to the comments submitted on the TLAB, any parties interested in providing inputs into the review of the programme are requested to send an email to employment.incentive@treasury.gov.za.

Annuitisation for provident fund members

The draft TLAB does not contain amendments related to annuitisation for provident fund members. The legislation that is currently in effect states that from 1 March 2019 provident fund members may be required to purchase an annuity from contributions made to their provident fund after 1 March 2019. Provident fund members who are over the age of 55 on 1 March 2019 or who make additional contributions to their provident fund after 1 March 2019 that do not exceed R247 500 at the time of their retirement will not be affected in any way. The process of consultation within NEDLAC is taking longer than anticipated following the release of the paper on comprehensive social security on 25 November 2016. Government may introduce further legislative amendments related to the start-date of 1 March 2019 once the NEDLAC process is completed or provides any recommendation, expected to be no later than end-October. In the meantime, comments related to this tax deduction can be submitted to National Treasury at piwe.tshombe@treasury.gov.za.

Review panel for VAT zero-rated items

In addition to the above, it should be noted that the amendments to these bills or the Rates Bill may also be effected before October, to take into account any recommendations made from by the Davis Tax Committee's panel reviewing the current list of VAT zero-rated items. The independent panel was established on 29 March 2018 and has received public submissions and held hearings and is preparing a report to provide to the Minister of Finance by the end of July 2018.

The draft TLAB, the draft TALAB and the accompanying explanatory memoranda can be found on the National Treasury (www.treasury.gov.za) and SARS (www.sars.gov.za) websites.

Due date for comments

Please forward written comments by the close of business on 16 August 2018 to Nombasa Langeni at Nombasa.Langeni@treasury.gov.za and Adele Collins at acollins@sars.gov.za .

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