REPUBLIC OF SOUTH AFRICA

EXPLANATORY MEMORANDUM

ON THE

SMALL BUSINESS TAX AMNESTY AND AMENDMENT OF TAXATION LAWS BILL, 2006

[W.P. 1 —'06]

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EXPLANATORY MEMORANDUM ON THE SMALL BUSINESS TAX AMNESTY AND AMENDMENT OF TAXATION LAWS BILL, 2006

INTRODUCTION

The Small Business Tax Amnesty and Amendment of Taxation Laws Bill, 2006, introduces a tax amnesty for small business and introduces amendments to the Transfer Duty Act, 1949, the Estate Duty Act, 1955, the Income Tax Act, 1962, the Customs and Excise Act, 1964, the Stamp Duties Act, 1968, the Regional Services Councils Act, 1985, the KwaZulu and Natal Joint Services Act, 1990, the Value-Added Tax Act, 1991, Local Government Transition Act, 1993, the Tax on Retirement Funds Act, 1996, the Uncertificated Securities Tax Act, 1998, and the Local Government: Municipal Structures Act, 1998.

REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES

As announced by the Minister of Finance in his 2005 Budget Review, the regional services levies are to be repealed with effect from 1 July 2006. This measure provides significant direct tax relief to business, amounting to R7 billion for 2006/07 and totalling R24 billion over the Medium Term Expenditure Framework period. The administrative burden will be significantly lowered for all businesses and its removal will effectively lower the costs of job creation. A number of amendments are introduced to the Regional Services Councils Act, 1985, and the KwaZulu and Natal Joint Services Act, 1990. Consequential amendments are also effected to the Local Government Transition Act, 1993, and the Local Government: Municipal Structures Act, 1998.

CLAUSE 1

Transfer duty: Amendment of section 2 of the Transfer Duty Act, 1949

Transfer duty is levied in terms of section 2 of the Transfer Duty Act on the acquisition of fixed property in South Africa. Currently, the rates for property acquired by natural persons are—

- 0% on the first R190 000 of the value of the property;
- 5% on the value between R190 001 up to R330 000; and
- 8% on the value above 330 000.

Given the substantial increases in property prices over the past few years, the Minister of Finance has proposed that the exempt (zero-rated) threshold for transfer duty be increased to R500 000. It is also proposed that the 8% rate apply in respect of amounts in excess of R1 million. The new graduated rate structure will therefore be as follows:

- 0% on the first R500 000 of the value of the property;
- 5% on the values between R500 001 up to R1 million; and
- 8% on values above R1 million.

The new rate structure will apply in respect of acquisitions of property on or after 1 March 2006.

CLAUSE 2

Transfer duty: Amendment of section 5 of the Transfer Duty Act, 1949

The proposed amendment is of a textual nature as the reference to a divisional council has become obsolete.

CLAUSE 3

Estate Duty: Amendment of section 4A of the Estate Duty Act, 1955

As announced by the Minister of Finance in his 2006/07 Budget Review, the estate duty exemption will be increased from R1,5 million to R2,5 million with effect from 1 March 2006. This amendment gives effect to this proposal.

CLAUSE 4

Fixing of rates of normal tax

Income Tax: Rates of normal tax

Rates of normal tax payable by all persons are enacted by *clause 5* and Schedule 1 to the Bill.

Persons other than companies

The rates for persons (other than companies) apply in respect of the year of assessment ending on 28 February 2007 and are provided for in paragraph 1 of Schedule 1. More specifically, the rates for—

- persons (other than companies) and special trusts are provided for in paragraph 1*(a)* of Schedule 1 consist of a progressive rate structure ranging between 18 per cent on the lowest portion of taxable income (amounts up to R100 000) and 40 per cent which is reached on the portion of taxable income above R400 000; and

- trusts (other than special trusts) are provided for in paragraph 1*(b)* of Schedule 1 are fixed at a single rate of 40 per cent on all taxable income.

Companies

The rates for companies apply in respect of years of assessment, i.e. the financial year of the company concerned, ending during the 12-month period from 1 April 2006 to 31 March 2007, and are provided for in paragraphs 2*(a)* to *(h)* inclusive, of Schedule 1.

Those rates are as follows:

(a) Taxable income derived otherwise than—
(i) by a small business corporation or an employment company;
(ii) from gold mining;
(iii) from long-term insurance business;
(iv) by a non-resident through a branch or agency in the Republic; or
(v) by a qualifying company enjoying tax holiday status:
29 cents per R1. However, in the case of a company which mines for gold and which is exempt from secondary tax on companies in terms of an option exercised by it, 37 cents per R1 of its non-gold mining taxable income (paragraph 2*(a)* of Schedule 1).

(b) Taxable income derived by a company which qualifies as a small business corporation as defined in section 12E:
(i) 0 cents in respect of taxable income up to R40 000
(ii) 10 cents per R1 of taxable income exceeding R40 000, but up to R300 000, and
(iii) 29 cents per R1 of taxable income exceeding R300 000
(paragraph 2*(b)* of Schedule 1).

(c) Taxable income derived by an employment company as defined in section 12E: 34 cents per R1 of taxable income (paragraph 2*(c)* of Schedule 1).

(d) Taxable income derived by a company from gold mining: an amount determined in accordance with one of the following formulae—

(i) where such company is not exempt from secondary tax on companies:

$$y = 35 - \frac{175}{x} \text{ ; or}$$

(ii) where such company is exempt from secondary tax on companies:

$$y = 45 - \frac{225}{x} \text{ ,}$$

as provided for in paragraph 2*(d)* of Schedule 1.

(e) Taxable income in the form of “recoupments” of capital expenditure accruing to companies which are or have been gold mining companies: the average rate of tax, determined as provided, or 29 cents per R1, whichever is the higher (paragraph 2*(e)* of Schedule 1).

(f) Taxable income derived from long-term insurance business:
(i) 30 cents per R1 in respect of the insurer’s individual policyholder fund; and
(ii) 29 cents per R1 in respect of the insurer’s company policyholder fund and corporate fund
(paragraph 2*(f)* of Schedule 1).

(g) Taxable income (excluding from gold mining, long-term insurance business, or a qualifying project enjoying tax holiday status, or derived by a small

business corporation or an employment company) derived by a non-resident which carries on trade through a branch or an agency within the Republic: 34 cents per R1 (paragraph 2*(g)* of Schedule 1).

> ***Example 1:***
>
> *Facts.* Company is incorporated in South Africa but maintains its place of effective management in Foreign Country. Company generates R100 000 of taxable income through a retail sales branch located in South Africa. No treaty for the avoidance of double taxation exists between South Africa and Foreign Country.
>
> *Result.* Even though Company maintains its effective place of management outside South Africa, the 34 per cent rate described in paragraph 2*(g)* does not apply to the R100 000 of taxable income because Company is a South African resident for income tax purposes by virtue of its South African incorporation.

> ***Example 2:***
>
> *Facts.* The facts are the same as Example 1, except that South Africa and Foreign Country have entered into a treaty for the avoidance of double taxation. The treaty determines the residence of a company based on the location of that company's place of effective management.
>
> *Result.* Company does not qualify as a South Africa resident for income tax purposes because the treaty views Company as a resident of Foreign Country. The 34 per cent rate described in paragraph 2*(g)* applies to the R100 000 of taxable income because Company is a non-resident for income tax purposes and that income is derived through a South African branch. STC is not payable by the Company as it is not a resident.

(h) Taxable income derived by a qualifying company which has been granted tax holiday status in terms of section 37H of the Income Tax Act, 1962: zero cents per R1 (paragraph 2*(h)* of Schedule 1).

For purposes of paragraph 2 of Schedule 1, income derived from mining for gold shall include any income derived from silver, osmiridium, uranium, pyrites or other minerals which may be won in the course of mining for gold, and any other income which results directly from mining for gold.

CLAUSE 5

Income Tax: Amendment of section 6 of the Income Tax Act, 1962

This clause increases the primary rebate from R6 300 to R7 200. This change means that the tax threshold for individuals under age 65 is increased to R40 000 and for individuals at least 65 years of age is increased to R65 000.

CLAUSE 6

Income Tax: Amendment of section 8 of the Income Tax Act, 1962

Section 8 of the Income Tax Act, 1962, determines the taxable portion of an allowance or advance paid by a principal to a recipient. This taxable portion, however, does not include any allowance or advance to the extent that it was actually expended by the recipient on *inter alia* travelling on business. Section 8 contains a deeming provision relating to the distance travelled by a taxpayer to avoid the need to maintain exact details of business travel in the form of a logbook. In terms of this deeming provision the first 16 000 kilometres travelled by a person in a year is deemed to be private travel. The deemed private travel is deducted from the distance travelled in a year (limited to a total of 32 000 kilometres) and the balance is deemed to constitute business travel. The rate per kilometre applied to determine the amount expended on business travel is based on a cost table fixed by the Minister in respect of different categories of vehicles.

The deduction of deemed business expenses against a motor vehicle allowance has increased substantially over the years. As mentioned by the Minister of Finance in his 2005 Budget Review, this generous allowance in the current formula creates an unfair bias in the structuring of salary packages with undue benefits accruing especially to higher income earners. As part of the package of reform in this area, the Minister proposed that the deemed private kilometres be increased from 16 000 to 18 000 and this amendment gives effect to that proposal.

CLAUSE 7

Income Tax: Amendment of section 10 of the Income Tax Act, 1962

The interest and dividend exemption is currently fixed at R15 000 for taxpayers under 65 years of age and R22 000 for taxpayers aged 65 years and older. The Minister of Finance proposed in his Budget Review this year that the interest and dividend income exemption be raised with effect from 1 March 2006 to R16 500 for taxpayers under the age of 65 and to R24 500 for taxpayers age 65 and over. Currently, up to R2 000 of this exemption may be applied to interest and dividends from foreign sources and the balance applies in respect of domestic interest. The Minister further proposed that this amount be increased to R2 500.

CLAUSE 8

Income Tax: Amendment of section 12E of the Income Tax Act, 1962

Currently, small business corporations enjoy certain tax benefits, i.e. a beneficial rate structure, an immediate 100 per cent write off in respect of manufacturing assets and an accelerated write off in respect of other assets. A small business corporation is defined in section 12E of the Income Tax Act, 1962, and one of the criteria is that the gross income for the relevant year of assessment does not exceed R6 million.

The Minister of Finance announced in his Budget Review this year that the turnover limit for small business corporations will be increased from R6 million to R14 million.

CLAUSE 9

Income Tax: Amendment of section 12H of the Income Tax Act, 1962

Government introduced the learnership tax allowance in 2002 to encourage on the job training and to enhance skills development in the Republic. This allowance, which is set to expire in October 2006, has boosted the number of learnerships. The Minister of Finance announced in the Budget Review this year that the learnership allowance will be extended to October 2011, in line with the extension of the national Skills Development Strategy to 2010. Furthermore, the Minister proposed that the initial allowances be increased from R17 500 to R20 000 for existing employees and from R25 000 to R30 000 for new employees. Similarly, it was proposed that the maximum allowance upon completion of all learnerships be increased from R25 000 to R30 000.

The Minister further announced that, given the additional expenses associated with employing disabled persons as learners, a more favouable learnerhip tax allowance will be introduced with effect from 1 July 2006 in respect of disabled learners. In terms of the proposed amendments, an employer will be allowed to deduct an initial allowance of 150 per cent of the annual salary of an existing learner employee with a disability (up to a maximum of R40 000) and 175 per cent for an unemployed learner with a disability (up to a maximum of R50 000). The allowance for disabled persons completing a learnership will be 175 per cent of the employee's annual salary (up to a maximum of R50 000).

CLAUSE 10

Income Tax: Amendment of section 24I of the Income Tax Act, 1962

Subclause (a): Section 24I of the Income Tax Act, 1962, was amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), to inter alia align the translation of exchange items at the end of the tax year with Generally Accepted Accounting Practice. With this amendment the translation rule relating to a forward exchange contract which is an affected contract was erroneously omitted and it is, therefore, proposed that it be reinserted with effect from the date of the 2005 amendment.

Subclause (b): Section 24I of the Income Tax Act, 1962, was amended by the Revenue Laws Amendment Act, 2005 (Act No. 31 of 2005), to *inter alia* extend the relief measures contained in section 24I(10) to also include foreign currency loans and advances between connected persons which were previously dealt with under the discontinued provisions of section 24I(7A). With this amendment to subsection (10), the proviso thereto was erroneously omitted and it is, therefore, proposed that it be reinserted with effect from the date of the 2005 amendment.

CLAUSE 11

Income Tax: Amendment of section 56 of the Income Tax Act, 1962

As was announced by the Minister of Finance in his Budget Review this year, the annual donations tax exemption will be increased from R30 000 to R50 000 with effect from 1 March 2006. This amendment gives effect to this proposal.

CLAUSE 12

Income Tax: Amendment of paragraph 1 of the Fourth Schedule to the Income Tax Act, 1962

As mentioned by the Minister of Finance in his 2005 and 2006 Budget Reviews, the provisions relating to the motor vehicle allowances are amended as the generous allowance in the formula created an unfair bias in the structuring of salary packages with undue benefits accruing especially to higher income earners. Although the proposed amendments to section 8 address these concerns, the full amount of tax payable on the non-business related portion of the travel allowance only becomes payable on assessment. To ensure that the correct amount of income tax is collected through the PAYE system during the year, it is proposed that the percentage of the monthly motor vehicle allowance which should be subject to PAYE be increased from 50% to 60%. These amendments give effect to this proposal.

CLAUSE 13

Income Tax: Amendment of paragraph 9 of the Seventh Schedule to the Income Tax Act, 1962

Employees who receive free or discounted residential accommodation are subject to fringe benefit taxation. This form of fringe benefit taxation is based on a formula which is partly based on prior year salary less R20 000. As proposed by the Minister of Finance in his 2006 Budget Review, the amount of R20 000 will be doubled to R40 000 and this amendment gives effect to this proposal.

CLAUSE 14

Income Tax: Amendment of paragraph 10 of the Seventh Schedule to the Income Tax Act, 1962

Cross-border travel benefits up to R500 for transport business employees are not subject to fringe benefit taxation. As proposed by the Minister of Finance in his 2006 Budget Review, the R500 monetary cap rule will be deleted as obsolete. This amendment gives effect to this proposal.

CLAUSE 15

Income Tax: Amendment of paragraph 5 of the Eighth Schedule to the Income Tax Act, 1962

In terms of paragraph 5 of the Eighth Schedule, a natural person has an annual exclusion of R10 000 in respect of capital gains or capital losses during a year of assessment. This effectively means that after setting off all capital gains and losses for the year, any balance remaining (whether a gain or loss) which is less than R10 000 is disregarded. This annual exclusion increases to R50 000 in the year that a person dies.

The Minister of Finance proposed in his Budget Review this year that the annual exclusion will increase from R10 000 to R12 500 and in the year of death of a taxpayer increase from R50 000 to R60 000. These amendments give effect to this proposal.

CLAUSE 16

Income Tax: Amendment of paragraph 45 of the Eighth Schedule to the Income Tax Act, 1962

Paragraph 45 of the Eighth Schedule to the Income Tax Act, 1962, provides for an exclusion of the first R1 million capital gain or loss realised from the disposal of a primary residence of the taxpayer. The Minister of Finance announced in his Budget Review this year that this exclusion will be increased to R1,5 million with effect from 1 March 2006. This amendment gives effect to this proposal.

CLAUSE 17

Income Tax: Amendment of paragraph 57 of the Eighth Schedule to the Income Tax Act, 1962

Paragraph 57 of the Eighth Schedule to the Income Tax Act, 1962, provides that the first R500 000 of any capital gain realised from the disposal of an asset of or interest in a small business is disregarded for purposes of determining CGT in certain circumstances. The Minister of Finance announced in his Budget Review this year that this amount will be increased to R750 000. This amendment gives effect to that proposal.

CLAUSE 18

Income Tax: Amendment of paragraph 64B of the Eighth Schedule to the Income Tax Act, 1962

In 2005 anti-avoidance measures were introduced in order to prevent multinationals from utilising the participation exemption for capital gains with little or no consideration remaining within the South African jurisdiction. The measures cover situations where the consideration on disposal of foreign shares is distributed *in specie*. However, a distribution of cash would not trigger the anti-avoidance rules. It is proposed that subparagraph (3) be amended in order to cover the distribution of all forms of consideration under the anti-avoidance rule. Furthermore, it is proposed that subparagraph (4) be amended to ensure that the company to which distributions were made, which qualified for the STC exemption contained in section 64B(5)*(f)* or the participation exemption in section 10(1)*(k)*(ii)*(dd)*, also be subject to the anti-avoidance rules on the disposal of the distribution received.

CLAUSE 19

Customs and Excise: Amendment of Schedule No. 1 to Act 91 of 1964

This clause provides for the amendment of Schedule No. 1 to the Customs and Excise Act, 1964. These amendments are reflected in Schedule 2 to this Bill. These amendments give effect to the taxation proposals which were tabled by the Minister of Finance during his Budget Speech this year and contain the rates of duty in respect of alcoholic and tobacco products.

CLAUSE 20

Customs and Excise: Continuation of certain amendments of Schedules Nos. 1 to 6 and 10 to Act 91 of 1964

This clause provides for the continuation of the amendments to the Schedules to the Customs and Excise Act, 1964, which were effected by the Minister of Finance during the 2005 calendar year.

CLAUSE 21

Stamp Duties: Amendment of item 14 of Schedule 1 to the Stamp Duties Act, 1968

Currently item 14 of Schedule 1 to the Stamp Duties Act, 1968, provides that stamp duty is not payable if the duty calculated on a lease or agreement of lease does not in aggregate exceed R200 over the period of the lease. In order to reduce the compliance burden for taxpayers entering into lower-value rental agreements and the administrative burden on SARS, the Minister of Finance proposed in his Budget Review this year that this exemption level will be increased to R500. This amendment gives effect to this proposal.

CLAUSE 22

Regional Service Levies: Amendment of section 1 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 23

Regional Service Levies: Amendment of section 2A of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 24

Regional Service Levies: Amendment of section 4 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 25

Regional Service Levies: Amendment of section 11 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 26

Regional Service Levies: Amendment of section 11A of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 27

Regional Service Levies: Repeal of section 12 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 28

Regional Service Levies: Amendment of section 13 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 29

Regional Service Levies: Amendment of section 14 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 30

Regional Service Levies: Amendment of section 15 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 31

Regional Service Levies: Amendment of section 15A of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 32

Regional Service Levies: Substitution of section 16 of the Regional Services Councils Act, 1985

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 33

Regional Service Levies: Amendment of section 1 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 34

Regional Service Levies: Amendment of section 3 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 35

Regional Service Levies: Amendment of section 5 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 36

Regional Service Levies: Amendment of section 14 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 37

Regional Service Levies: Amendment of section 15 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 38

Regional Service Levies: Amendment of section 16 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 39

Regional Service Levies: Amendment of section 18 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 40

Regional Service Levies: Amendment of section 20 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 41

Regional Service Levies: Amendment of section 21 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 42

Regional Service Levies: Amendment of section 22 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 43

Regional Service Levies: Amendment of section 23 of the KwaZulu and Natal Joint Service Act, 1990

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 44

Value-Added Tax: Amendment of section 2 of the Value-Added Tax Act, 1991

The proposed amendment is to allow for the entering into of any derivative to also fall within the ambit of a financial service, which is exempt from VAT in terms of section 12*(a)*.

CLAUSE 45

Value-Added Tax: Amendment of section 12 of the Value-Added Tax Act, 1991

The proposed amendment refers to the appropriate reference in the Income Tax Act.

CLAUSE 46

Value-Added Tax: Amendment of section 27 of the Value-Added Tax Act, 1991

In light of government's efforts to ease small businesses' administrative burden, it is proposed to increase the monetary threshold of R1million to R.2 million for small scale farmers falling within Category D as well as vendors falling within Category F.

CLAUSE 47

Value-Added Tax: Amendment of section 55 of the Value-Added Tax Act, 1991

The proposed amendment refers to the appropriate reference in the IT Act.

CLAUSE 48

Regional Services Levies: Amendment of section 10 of the Local Government Transition Act, 1993

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 49

Regional Services Levies: Amendment of section 10D of the Local Government Transition Act, 1993

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 50

Regional Services Levies: Amendment of paragraph 1 of Schedule to the Local Government Transition Act, 1993

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 51

Tax on Retirement Funds: Amendment of section 2 of the Tax on Retirement Funds Act, 1996

As the Minister of Finance announced in his Budget Review this year, changes to the taxation of retirement funds are under consideration and a discussion document will be released for public comment. However, to help South Africans accumulate adequate savings for retirement, the Minister announced that the rate of tax on retirement funds will be reduced from 18 per cent to 9 per cent with effect from 1 March 2006. This amendment gives effect to this proposal.

CLAUSE 52

Uncertificated Securities Tax: Amendment of section 1 of the Uncertificated Securities Tax Act, 1998

The proposed amendment is to clarify that a change in the beneficial ownership of a security occurs when a company acquires or redeems its own security.

CLAUSE 53

Uncertificated Securities Tax: Amendment of section 6 of the Uncertificated Securities Tax Act, 1998

The proposed amendment is to bring the UST Act in line with the Stamp Duties Act in that, participatory interests in collective investment schemes are not taxed by either of the Acts.

CLAUSE 54

Regional Services Levies: Amendment of section 93 of the Local Government: Municipal Structures Act, 1998

See notes on REGIONAL SERVICES LEVIES AND REGIONAL ESTABLISHMENT LEVIES**.**

CLAUSE 55

Short title, commencement and savings

Subclause (a) and (b): This clause provides the short title and commencement date of the Bill.

Subclause (c): This clause also provides for the imposition and collection of levies in terms of the Regional Services Councils Act, 1985, the KwaZulu and Natal Joint Services Act, 1990, the Local Government Transition Act, 1993, or the Local Government: Municipal Structures Act, 1998, which could have been imposed and collected in terms of those Acts before or on the date of the amendment thereof by this Act.