# C

# Summary of tax proposals

## Direct tax proposals

### Personal income tax rate and bracket structure

It is proposed to retain the single rate scale for individuals, with adjustments to the bracket thresholds. The primary rebate is increased to R4 140 a year for individuals for all taxpayers. The secondary rebate is increased to R3 000 a year for individuals age 65 years or older. The rates of tax in respect of the 2000/01 tax year and those proposed for the 2001/02 tax year are set out in Table C1.

**Table C1 Personal income tax rate and bracket adjustments**

| 2000/01 | | 2001/02 | |
|---|---|---|---|
| **Taxable income (R)** | **Rates of tax** | **Taxable income (R)** | **Rates of tax** |
| 0 – 35 000 | 18% of each R1 | 0 – 38 000 | 18% of each R1 |
| 35 001 – 45 000 | R6 300 + 26% of the amount above R35 000 | 38 001 – 55 000 | R6 840 + 26% of the amount above R38 000 |
| 45 001 – 60 000 | R8 900 + 32% of the amount above R45 000 | 55 001 – 80 000 | R11 260 + 32% of the amount above R55 000 |
| 60 001 – 70 000 | R13 700 + 37% of the amount above R60 000 | 80 001 – 100 000 | R19 260 + 37% of the amount above R80 000 |
| 70 001 – 200 000 | R17 400 + 40% of the amount above R70 000 | 100 001 – 215 000 | R26 660 + 40% of the amount above R100 000 |
| 200 001 and above | R69 400 + 42% of the amount above R200 000 | 215 001 and above | R72 660 + 42% of the amount above R215 000 |
| **Rebates** | | **Rebates** | |
| Primary | R3 800 | Primary | R4 140 |
| Secondary | R2 900 | Secondary | R3 000 |
| **Tax threshold** | | **Tax threshold** | |
| Below age 65 | R 21 111 | Below age 65 | R23 000 |
| Age 65 and over | R36 538 | Age 65 and over | R39 154 |

The proposed tax schedule eliminates the effects of inflation on income tax liabilities and results in a reduced tax liability for taxpayers at all income levels. These tax reductions are set out in Tables C2 and C3.

**Table C2: Income tax payable, 2001/02 (taxpayers younger than 65)**

| Taxable income (R) | 2000 rates (R) | Proposed rates (R) | Tax reductions (R) |
|---|---|---|---|
| R22 000 | 160 | - | 160 |
| R23 000 | 340 | - | 340 |
| R24 000 | 520 | 180 | 340 |
| R25 000 | 700 | 360 | 340 |
| R26 000 | 880 | 540 | 340 |
| R27 000 | 1 060 | 720 | 340 |
| R28 000 | 1 240 | 900 | 340 |
| R29 000 | 1 420 | 1 080 | 340 |
| R30 000 | 1 600 | 1 260 | 340 |
| R35 000 | 2 500 | 2 160 | 340 |
| R40 000 | 3 800 | 3 220 | 580 |
| R45 000 | 5 100 | 4 520 | 580 |
| R50 000 | 6 700 | 5 820 | 880 |
| R55 000 | 8 300 | 7 120 | 1 180 |
| R60 000 | 9 900 | 8 720 | 1 180 |
| R65 000 | 11 750 | 10 320 | 1 430 |
| R70 000 | 13 600 | 11 920 | 1 680 |
| R80 000 | 17 600 | 15 120 | 2 480 |
| R90 000 | 21 600 | 18 820 | 2 780 |
| R100 000 | 25 600 | 22 520 | 3 080 |
| R120 000 | 33 600 | 30 520 | 3 080 |
| R150 000 | 45 600 | 42 520 | 3 080 |
| R200 000 | 65 600 | 62 520 | 3 080 |
| R300 000 | 107 600 | 104 220 | 3 380 |
| R400 000 | 149 600 | 146 220 | 3 380 |
| R500 000 | 191 600 | 188 220 | 3 380 |
| R600 000 | 233 600 | 230 220 | 3 380 |
| R700 000 | 275 600 | 272 220 | 3 380 |
| R800 000 | 317 600 | 314 220 | 3 380 |
| R900 000 | 359 600 | 356 220 | 3 380 |
| R1 000 000 | 401 600 | 398 220 | 3 380 |

**Table C3: Income tax payable, 2001/02 (taxpayers age 65 and older)**

| Taxable income (R) | 2000 rates (R) | Proposed rates (R) | Tax reductions (R) |
|---|---:|---:|---:|
| 40 000 | 900 | 220 | 680 |
| 45 000 | 2 200 | 1 520 | 680 |
| 50 000 | 3 800 | 2 820 | 980 |
| 55 000 | 5 400 | 4 120 | 1 280 |
| 60 000 | 7 000 | 5 720 | 1 280 |
| 65 000 | 8 850 | 7 320 | 1 530 |
| 70 000 | 10 700 | 8 920 | 1 780 |
| 80 000 | 14 700 | 12 120 | 2 580 |
| 90 000 | 18 700 | 15 820 | 2 880 |
| 100 000 | 22 700 | 19 520 | 3 180 |
| 120 000 | 30 700 | 27 520 | 3 180 |
| 150 000 | 42 700 | 39 520 | 3 180 |
| 200 000 | 62 700 | 59 520 | 3 180 |
| 300 000 | 104 700 | 101 220 | 3 480 |
| 400 000 | 146 700 | 143 220 | 3 480 |
| 500 000 | 188 700 | 185 220 | 3 480 |
| 600 000 | 230 700 | 227 220 | 3 480 |
| 700 000 | 272 700 | 269 220 | 3 480 |
| 800 000 | 314 700 | 311 220 | 3 480 |
| 900 000 | 356 700 | 353 220 | 3 480 |
| 1 000 000 | 398 700 | 395 220 | 3 480 |

The average tax rates (tax as a percentage of taxable income) for individuals are illustrated in Figures C1 and C2. Average tax rates decline for all income groups under the proposed tax rate structure, with the greatest decreases for individuals in the middle income groups. Figure C3 illustrates the decline in average tax rates for individuals at different levels of nominal income.

**Figure C1: Average tax rates under age 65**

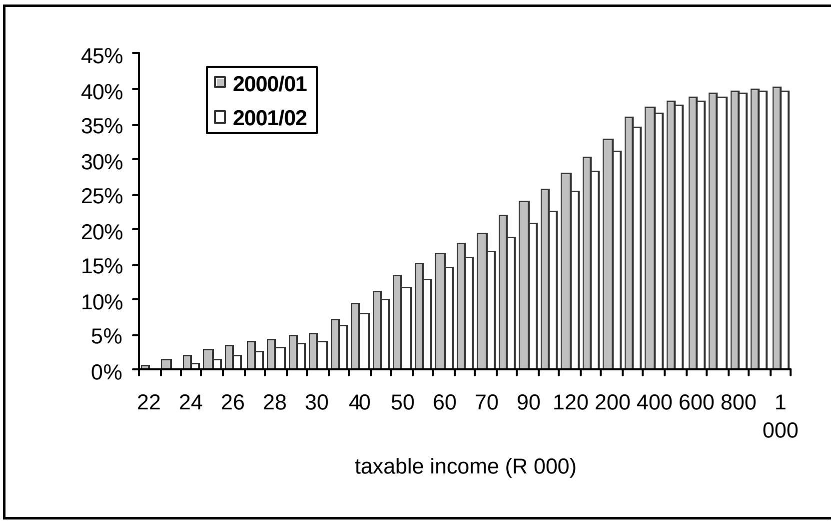


**Figure C2: Average tax rates age 65 and older**

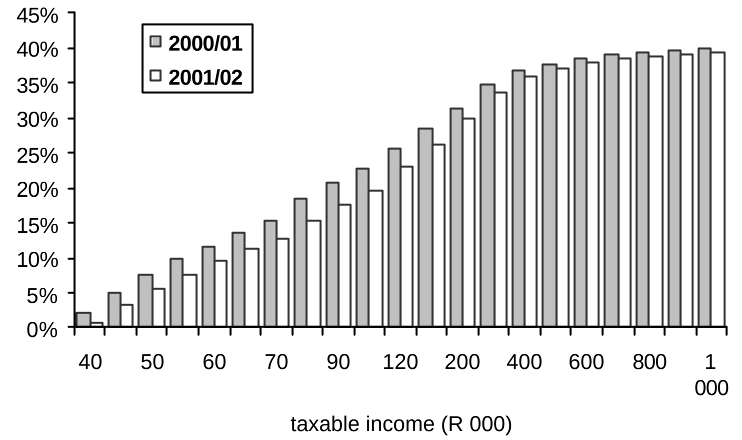
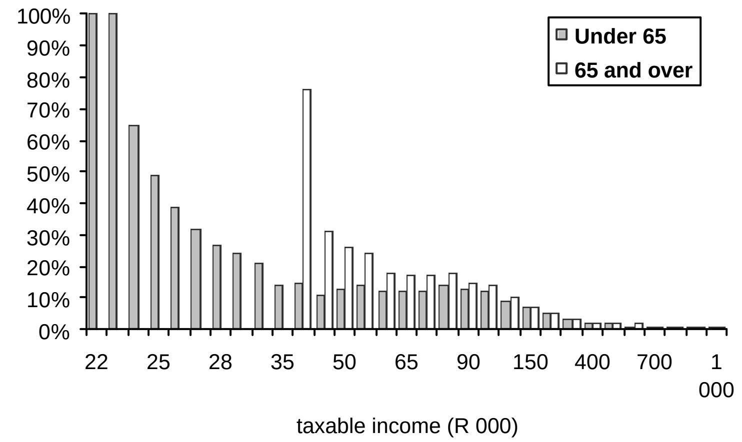



**Figure C3: Nominal declines in average tax rates**




## Residence-based income tax

From 1 January 2001, South Africa has replaced the source-based income tax system with a residence-based income tax. South African residents are taxed on their income, irrespective of where in the world that income is earned. Appropriate measures are in place to avoid potential double taxation on income earned outside South Africa. These are complemented by South Africa's extensive network of agreements for the avoidance of double taxation.

## Capital gains tax

Capital gains tax will be introduced with effect from 1 October 2001.

- Residents will be subject to the tax on the disposal of their assets held worldwide, while non-residents will be taxed on the disposal of certain assets in South Africa.

- Capital gains tax will not apply to retirement funds until a holistic review of retirement fund taxation is complete.
- 'Assets' include property of whatever nature, whether movable or immovable, corporeal or incorporeal.
- Only gains accruing after 1 October 2001 will be subject to the tax, which will be levied on a realisation basis. Realisation occurs on disposal of an asset. Death, emigration and donation of an asset are deemed to be disposals.
- The first R10 000 a year of capital gain or loss realised by individuals will be excluded from capital gains tax.
- Certain exemptions will apply to primary residences, personal use assets, assurance and retirement benefits, assets of a small business disposed of for retirement, compensation for personal injury, lottery receipts, foreign currency converted for personal use, diplomats and diplomatic missions, gains arising on assets donated to certain public-benefit organisations.
- Rollover relief will be provided for assets in certain circumstances, e.g. certain transfers between spouses or involuntary disposals.
- Capital gains will be taxed with other income, with a portion of the net capital gain being included in taxable income, depending on the nature of the taxpayer. The effective tax rates are set out in Table C4:

**Table C4: Effective capital gains tax rates**

| Taxpayer | Inclusion rate (%) | Statutory rate (%) | Effective rate (%) |
|---|---|---|---|
| **Individuals** | 25 | 0 – 42 | 0 – 10,5 |
| **Trusts** | | | |
| Unit | - | 30 | - |
| Special | 25 | 0 – 42 | 0 – 10,5 |
| Other | 50 | 32 – 42 | 16 – 21 |
| **Companies** | | | |
| Ordinary | 50 | 30 | 15 |
| Small business corporation | 50 | 15 – 30 | 7,5 – 15 |
| Permanent establishment | 50 | 35 | 17,5 |
| Employment company | 50 | 35 | 17,5 |
| **Life assurers** | | | |
| Individual policyholder fund | 25 | - | 7,5 |
| Company policyholder fund | 50 | 30 | 15 |
| Untaxed policyholder fund | - | - | - |
| Corporate fund | 50 | 30 | 15 |

## Wage incentive

The National Treasury and SARS are developing an administratively and economically efficient wage tax mechanism for encouraging job creation and promoting the further formalisation of employment.

## Skills development levy

From 1 April 2001, the Skills Development Levy is increased to 1 per cent on payroll, as announced in the 2000 Budget.

### Interest and dividend income exemption

In the 2000 Budget, the interest and dividend income exemption was raised from R2 000 for all taxpayers to R3 000 for taxpayers under 65 and R4 000 for taxpayers age 65 and over. It is proposed to increase these exemptions by a further R1 000 to R4 000 for taxpayers under age 65 and to R5 000 for taxpayers age 65 and over.

### Reductions in estate duty and donations tax

In the proposed South African capital gains tax regime, the transfer of an asset by way of a donation or to a deceased estate will constitute a realisation event and capital gains tax will be payable on any accrued capital gain. When the draft capital gains tax legislation was released for public comment, it was suggested that some adjustments could be introduced to the estate duty and donations tax. It is proposed that the estate duty and donations tax be reduced from 25 per cent to 20 per cent, with effect from 1 October 2001.

### Raising provisional tax thresholds

At present, individual taxpayers below the age of 65 that earn taxable non-employment income of more than R1 000 a year must register as provisional taxpayers. It is proposed to raise the threshold from which individuals must register for provisional tax to R2 000 a year.

Individuals older than 65 are exempt from the payment of provisional tax if their annual taxable income does not exceed R50 000 and consists exclusively of remuneration, interest, dividends or rent from the lease of fixed property. It is proposed to raise this threshold to R80 000 a year.

### Incentives for Strategic Investment Projects

A higher rate of investment is vital to raising the medium and long-term growth potential of the South African economy. In 2000, the Department of Trade and Industry introduced a range of investment incentives. In this Budget it is proposed to allocate R3 billion over the next four years for incentives to encourage strategic investment projects. It is envisaged that the incentive will be designed as follows:

- An additional investment allowance will be granted to companies in respect of strategic industrial projects. This will take the form an additional deduction in the calculation of taxable income. Once granted, the allowance will be valid for 3 years after the year in which the investment is made.
- An adjudication committee will award the incentive on the basis of quantitative and qualitative criteria defining strategic investment projects, which have significant direct and indirect benefits for the South African economy.

### Investment incentives for small business development

It is proposed to allow the full cost of any investment made by a small business corporation, as defined in the Income Tax Act, to be deducted in the tax year in which the asset is brought into use by the taxpayer for the first time. This applies to manufacturing assets brought into use for the first time on or after 1 April 2001.

### Depreciation of airport infrastructure

It is proposed that tax allowances of 5per cent a year on a straight-line basis be introduced for investment in airport hangars and runways. As is the case with the rules for depreciation of permanent structures that were introduced in the 2000 Budget, the allowances will be limited to:

- assets owned by the taxpayer,
- that are contracted for and the construction of which commences on or after 1 April 2001,
- are brought into use by the taxpayer for the first time on or after 1 April 2001, and
- are used by the taxpayer in the production of his income and in carrying on his sole trade as an airport operator.

### Closing income tax loopholes

Building on Government's commitment to broaden the tax base, a number of potential loopholes in the company income tax are to be investigated, with a view to introducing appropriate legislative changes.

To ensure potential loopholes are minimised, it is proposed to investigate:

- Section 24C of the Income Tax Act, which allows for the immediate deduction of future expenditure
- Provisions allowing deductions for contingency reserves of short-term insurers
- The taxation of intangibles
- The possibility of bringing all company directors into the PAYE income tax system

Certain procedural reforms are also being considered, including:

- Limiting the potential for delaying the filing of corporate income tax returns.
- Streamlining the interest charges in various tax statutes and making all interest charges automatic.
- Streamlining the penalty provisions with respect to provisional payments and making these required payments more closely correlate with amounts eventually owed.
- A general review of the opportunity for taxpayers to reopen income tax assessments.
- Enhancing the scope for SARS to appoint expert outside counsel for important tax cases.
- Start building capacity in SARS to issue advance rulings to specific taxpayers and for specific transactions, as well as the authority to charge user fees for any rulings or determinations issued.

### Unbundling transactions

SARS and the National Treasury are reviewing the unbundling provisions in the tax statutes to ensure they are appropriate for the current business environment.

### Review of tax on banks

Government is concerned at the low effective tax rate on banks. Many of the income tax changes announced in the 2000 Budget were aimed at addressing this. Further amendments to the Income Tax Act and intensified audit and enforcement are the next steps in this programme. Following detailed investigation, further amendments could include:

- Clarifying the distinction between capital and ordinary income for the sale of financial instruments.
- Reviewing the tax rules regarding financial leases.
- Ensuring the immediate accrual of certain income receipts that are postponed through artificial contingencies.

In addition, a thorough review of options for addressing the low effective tax rate of the banking sector has been initiated and consultation with the industry will be held during 2001.

## Indirect tax proposals

### VAT on illuminating paraffin

Currently, illuminating paraffin is exempt from all fuel levies and is subject only to VAT. It is proposed that illuminating paraffin be zero-rated for VAT purposes with effect from 1 April 2001.

### Specific excise duties

It is proposed that the excise and customs duties in Section A of Part 2 of Schedule No. 1 to the Customs and Excise Act, 1964, on the goods described below and classified under the tariff items or sub-items set out below, be amended with immediate effect (21 February 2001) to the extent shown in Table C5.

**Table C5 Specific excise duties**

| Tariff item | Tariff heading | Description | Present rate of duty | | Proposed rate of duty | |
|---|---|---|---|---|---|---|
| | | | Excise | Customs | Excise | Customs |
| 104.00 | | Prepared foodstuffs; beverages, spirits and vinegar; tobacco | | | | |
| 104.01 | 19.01 | Malt extract; food preparations of flour, meal, starch or malt extract, not containing cocoa powder or containing cocoa powder in a proportion, by mass, of less than 50 per cent, not elsewhere specified or included; food preparations of goods of headings nos. 04.01 to 04.04, not containing cocoa powder or containing cocoa powder in a proportion, by mass, of less than 10 per cent, not elsewhere specified or included: | | | | |
| .10 | | Preparations, based on sorghum flour, put up for making beverages | 33c/kg | 33c/kg | 34.7c/kg | 34.7c/kg |
| 104.05 | 22.01 | Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavoured; ice and snow | | | | |
| | 22.02 | Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages (excluding fruit or vegetable juices of heading no. 20.09): | | | | |
| .10 | | Mineral waters, including spa waters and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state) | 8c/l | 8c/l | 6c/l | 6c/l |
| .20 | | Lemonade and flavoured mineral waters, including flavoured spa and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state) | 8c/l | 8c/l | 6c/l | 6c/l |

| Tariff item | Tariff heading | Description | Present rate of duty | | Proposed rate of duty | |
|---|---|---|---|---|---|---|
| | | | Excise | Customs | Excise | Customs |
| .30 | | Non-alcoholic beverages not elsewhere specified or included in this tariff item, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state) | 8c/l | 8c/l | 6c/l | 6c/l |
| 104.10 | 22.03 | Beer made from malt | 2 239c/l of absolute alcohol | 2 239c/l of absolute alcohol | 2 373c/l of absolute alcohol | 2 373c/l of absolute alcohol |
| 104.15 | 22.04 | Wine of fresh grapes, including fortified wines; grape must, other than that of heading no. 20.09 | | | | |
| | 22.05 | Vermouths and other wine of fresh grapes flavoured with plants or aromatic substances | | | | |
| | 22.06 | Other fermented beverages (for example, cider, perry and mead): | | | | |
| .05 | | Sorghum beer (excluding beer made from preparations based on sorghum flour) | 745c/100l | 745c/100l | 7,82c/l | 7,82c/l |
| .10 | | Unfortified still wine | 6 790c/100l | 6 790c/100l | 74.7c/l | 74.7c/l |
| .40 | | Fortified still wine | 15 360c/100l | 15 360c/100l | 169c/l | 169c/l |
| .50 | | Other still fermented beverages, unfortified | 11 398c/100l | 11 398c/100l | 120.8c/l | 120.8c/l |
| .60 | | Other still fermented beverages, fortified | 20 213c/100l | 20 213c/100l | 214.3c/l | 214.3c/l |
| .70 | | Sparkling wine | 18 811c/100l | 18 811c/100l | 206.9c/l | 206.9c/l |
| .80 | | Other fermented beverages (excluding sorghum beer) | 24 041c/100l | 24 041c/100l | 254.8c/l | 254.8c/l |
| 104.20 | 22.07 | Undenatured ethyl alcohol of an alcoholic strength by volume of 80 per cent volume or higher; ethyl alcohol and other spirits, denatured, of any strength | | | | |
| | 22.08 | Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent volume; spirits, liqueurs and other spirituous beverages: | | | | |
| .10 | | Wine spirits, manufactured in the Republic by the distillation of wine | 303 365c/100l of absolute alcohol | - | 3 337c/l of absolute alcohol | - |
| .15 | | Spirits, manufactured in the Republic by the distillation of any sugar cane product | 303 365c/100l of absolute alcohol | - | 3 337c/l of absolute alcohol | - |

| Tariff item | Tariff heading | Description | Present rate of duty | | Proposed rate of duty | |
|---|---|---|---|---|---|---|
| | | | Excise | Customs | Excise | Customs |
| .25 | | Spirits, manufactured in the Republic by the distillation of any grain product | 303 365c/100l of absolute alcohol | - | 3 337c/l of absolute alcohol | - |
| .29 | | Other spirits, manufactured in the Republic | 303 365c/100l of absolute alcohol | | 3 337c/l of absolute alcohol | |
| .60 | | Imported spirits of any nature, including spirits in imported spirituous beverages (excluding liqueurs, cordials and similar spirituous beverages containing added sugar) and in compound alcoholic preparations of an alcoholic strength exceeding 1,713 per cent alcohol by volume | | 293 752c/100l of absolute alcohol or 126 313c/100l | | 3 241c/l of absolute alcohol or 1 394c/l |
| .70 | | Spirits of any nature in imported liqueurs, cordials and similar spirituous beverages containing added sugar, with or without flavouring substances | | 293 752c/100l of absolute alcohol. | | 3 241c/l of absolute alcohol |
| 104.30 | 24.02 | Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes | | | | |
| .10 | | Cigars | 56 989c/kg net | 56 989c/kg net | 66 420c/kg net | 66 420c/kg net |
| .20 | | Cigarettes | 141,5c/10 cigarettes | 141,5c/10 cigarettes | 158.4c/10 cigarettes | 158.4c/10 cigarettes |
| 104.35 | 24.03 | Other manufactured tobacco and manufactured tobacco substitutes, “homogenised” or “reconstituted” tobacco extracts and essences: | | | | |
| .10 | | Cigarette tobacco | 6 412c/kg | 6 412c/kg | 7 167c/kg | 7 167c/kg |
| .20 | | Pipe tobacco | 3 893c/kg net | 3 893c/kg net | 4 677c/kg net | 4 677c/kg net |

## Fuel levy

It is proposed to raise the general fuel levy on leaded and unleaded petrol by 2,4c/l and on diesel by 1,9c/l, with effect from 4 April 2001.

## Diesel fuel concession for primary production sector

Following the reintroduction of the diesel fuel rebate for the coastal shipping and fishing industries in 2000, Government committed to exploring the possibility of extending this to other primary production sectors.

Recognising that the bulk of diesel consumed by primary producers is used “off-road” and to enhance the competitiveness of these sectors a 25,6 cent a litre concession of the general fuel levy on diesel fuel for the agriculture, forestry and mining sectors, on their qualified consumption, is proposed. These sectors will also be exempt from the full Road Accident Fund levy on diesel. Together, these concessions amount to 42,1 cents a litre or 41,5 per cent of the current total tax burden on diesel fuel.

The diesel concession will be administered as a refund through the VAT system. Implementation of the proposed diesel concessions will be effective from 4 July 2001 so that proper regulatory and compliance procedures are developed to ensure effective implementation and enforcement. SARS will audit the diesel refunds regularly and suppliers of diesel must be able to confirm electronically to SARS the details of diesel sales to producers that are eligible for the concession.

### Additional diesel concessions

It is proposed to extend the 100 per cent diesel fuel concession to offshore mining and the National Sea Rescue Institute. They will receive a full refund for the general fuel levy and the Road Accident Fund levy.

It is proposed that the rail-freight sector be exempted from the Road Accident Fund levy.

These concessions will also be effective from 4 July 2001.

### Restructuring *ad valorem* customs and excise duties

The system of *ad valorem* customs and excise duties has been in place since 1969. The current statutory rate is 10 per cent on most products, except printing machines, computers, automatic data processing machines, modems, photocopying apparatus and motor cycles on which the duty is 5 per cent.

The National Treasury and SARS have reviewed the *ad valorem* tax system to consider ways to simplify the cumbersome administrative arrangements, particularly with respect to goods produced domestically. It is evident that significant savings could be realised if the administrative system were simplified.

It is proposed, therefore, that the value determination process for domestically produced goods be abolished for all items, except motor vehicles. In future, the *ad valorem* duty on domestically produced goods will be calculated on the invoice price of the product. It is also proposed to reduce the maximum *ad valorem* rate to 7 per cent and keep the 5 per cent rate on the products currently subject to this rate. The *ad valorem* duties are set out in Table C6. It is also proposed to reduce the *ad valorem* duty on cosmetics to 5 per cent.

These proposals will take effect from 1 July 2001.

**Table C6: *Ad valorem* duty rates**

| Product | Existing rate of duty (%) | Proposed rate of duty (%) |
|---|---|---|
| Beauty make-up preparations | 10 | 5 |
| Preparations for the use on the hair | 10 | 5 |
| Shaving and bath preparations | 10 | 5 |
| Essential oils | 10 | 7 |
| Perfumes and toilet waters | 10 | 7 |
| Photographic plates and film | 10 | 7 |
| Articles of apparel and furskin | 10 | 7 |
| Air conditioners, wall/window types, self-contained | 10 | 7 |
| Dishwashers (domestic) | 10 | 7 |
| Microphones and stands | 10 | 7 |
| Turntables, record-players and cassette-players | 10 | 7 |
| Magnetic tape recorders | 10 | 7 |
| Video recording or reproducing apparatus | 10 | 7 |
| Prepared unrecorded media for sound | 10 | 7 |
| Records, tapes and other recorded media | 10 | 7 |
| Reception apparatus for radio-telephony | 10 | 7 |
| Motorcycles (capacity less than 800$cm^3$) | 5 | 5 |
| Motorcycles (capacity equal to or exceeding 800$m^3$) | 10 | 7 |
| Lenses, prisms, mirrors and other optical elements | 10 | 7 |
| Spectacles, goggles and the like | 10 | 7 |
| Binoculars, monoculars, etc. | 10 | 7 |
| Photographic cameras | 10 | 7 |
| Cinematographic cameras and projectors | 10 | 7 |
| Image projectors | 10 | 7 |
| Clocks | 10 | 7 |
| Computers, printers, modems and other office machines | 5 | 5 |
| Cordless telephone sets | 10 | 7 |
| Cell phones | 10 | 7 |
| Video cameras for non-commercial application | 10 | 7 |
| Motor Vehicles and tractors | Formula unchanged. | |

### Stamp duties

It is proposed to remove the stamp duties on bills of exchange, bills of entry and securities and suretyships, with effect from 1 April 2001.

## Social security tax proposals

### Road Accident Fund

The following Road Accident Fund levy adjustments are proposed:

- From 4 April 2001, the levy on petrol will be increased by 2 cents a litre to 16,5 cents a litre
- From 4 July 2001, when the diesel concessions come into effect, the RAF levies on diesel and petrol will be equalised at 16,5 cents a litre.

## Proposed amendments to tax laws

SARS is considering various amendments to the Income Tax Act, Customs and Excise Act, Value-Added Tax Act and other taxation laws during the course of this year. The following are some of the amendments being considered:

### Siyakha project

The following will be necessary to ensure effective implementation of the Siyakha project:

- Enabling provisions in the law to permit the Commissioner for SARS to prescribe certain rules relating to the electronic submission of a document that requires a signature.
- Outsourcing by SARS of debt collection.
- Extending the prescription provisions beyond the current three-year period.
- Provisions in the tax laws to provide for a rolling balance within each tax type.
- Various customs initiatives such as the regulation of accredited agents, warehouse inventory systems and customs transit.
- Excise restructuring.

### Income Tax Act

#### *Capital gains tax*

Finalisation of the legislation introducing the $8^{th}$ Schedule into the principal Act and various consequential amendments.

#### *Section 24C*

Investigate the possibility of amending the provisions of the section.

#### *Sections 24J to 24L*

Review of the mark to market basis of taxation of financial instruments.

#### *Financial leases*

Review the tax treatment of financial leases.

#### *Farming operations*

Review the tax treatment of farming operations

#### *Intangible assets*

Investigate the tax treatment of intangible assets.

#### *Value-Added Tax*

Consider an amendment to allow the Commissioner to publish the names and VAT registration numbers of vendors, for instance on the SARS Website, to enable the public and business at large to verify that VAT is correctly raised on goods and services supplied. This should also encourage reporting of delinquent businesses and assist investigations.

Amendment of the Act to simplify the basis of taxation of accommodation as a whole, which is complex and often requires of vendors to make intricate calculations.

### *Estate Duty*

Clarify the value of certain deductions where both the deduction and estate duty must be funded from the residue of the estate.

Review the determination of value of fiduciary, usufructuary and other like interest in property for Estate Duty purposes.

### *General*

Provision will be made for Customs and VAT administration of Industrial Development Zones (IDZs).

Amendments to prevent fraud, tax evasion and tax avoidance.