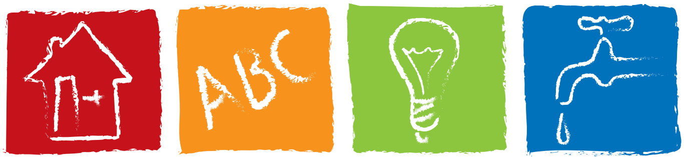
Budget 2009/10



Tax Proposals 2009/10

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Introduction

This year's tax proposals are intended to meet the requirements of the fiscus while supporting consumer and business confidence in the context of a weakening economy.

Significant adjustments have been made to personal income tax brackets, the primary rebate and some thresholds to adjust for the effects of higher inflation during 2008, and to provide real tax relief. Environmental initiatives that promote sustainable development, energy efficiency and investment in new technologies receive support. Industrial policy tax incentives announced last year will be implemented in 2009 and should encourage private-sector investment.

The South African economy has entered a period of slower growth, and this is reflected in lower revenue growth, especially for VAT. Tax revenue for 2008/09 is projected to total R627.7 billion, R14.4 billion less than the budgeted R642.1 billion. Estimated gross tax revenue for 2009/10 is R659.3 billion, or 5 per cent higher than the revised estimate for 2008/09.

Overview

The 2009/10 tax proposals and revenue projections take cognisance of a significantly weaker economic environment. The global financial crisis, recession in most of the developed world, a dramatic decline in commodity prices and cooling domestic consumption expenditure have all contributed to a decline in aggregate demand and business confidence.

The economic slowdown is having a negative impact on tax revenues, with the revised estimated tax revenue for 2008/09 projected to be R14.4 billion lower than the budgeted R642.1 billion announced in February 2008. Falling domestic consumption resulted in lower-than-expected domestic output, lower VAT collections and the involuntary accumulation of inventory, which gave rise to higher VAT refunds.

The 2009 tax proposals provide real tax relief to households. A combination of incentives and taxes is proposed to address environmental concerns, with a particular focus on energy efficiency, furthering another key objective of government. The South African Revenue Service (SARS) continues to improve its operational efficiency, and additional

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steps are proposed to support its modernisation agenda.

Main tax proposals

The main tax proposals include:

- Personal income tax relief for individuals amounting to R13.6 billion
- Delaying implementation of new mineral and petroleum royalties until 1 March 2010
- A final set of amendments to support dividends tax reform
- Incentives for investments in energy-efficient technologies
- Implementation of the electricity levy announced in Budget 2008
- Making certified emission reduction credits tax exempt or subject to capital gains tax, instead of normal income tax
- Taxation of energy-intensive light bulbs
- Reforms to the motor vehicle ad valorem excise duties
- Increases in the Road Accident Fund (RAF) and general fuel levies
- Tax-sharing arrangements with municipalities
- Increases in excise duties on alcoholic beverages and tobacco products
- An increase in the international air passenger departure tax
- Reviewing the tax treatment of travel (motor vehicle) allowances to improve the equity and transparency of the tax system
- Amendments to the treatment of contributions to medical schemes.

Relief for individuals

Personal income tax relief

Over the past decade substantial tax relief has been provided to individuals. Real personal income tax relief was made possible by buoyant corporate income tax revenues as a result of an improved culture of compliance and higher corporate profits.

The 2009 Budget proposes personal income tax relief to individual taxpayers amounting to R13.6 billion. This will compensate taxpayers for wage inflation ("bracket creep"). Taxpayers with an annual taxable income below R150 000 will receive 45 per cent of the proposed relief; those with an annual taxable income between R150 001 and R250 000, 22 per cent; those with an annual taxable income between R250 001 and R500 000, 21 per cent; and those with an annual taxable income above R500 000, 12 per cent.

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Alongside corporate income tax and VAT, personal income tax is one of the three main tax instruments and provides the basis for the progressive structure of South Africa's tax system. It is estimated that the 12.5 per cent of registered individual taxpayers with an annual taxable income between R250 001 and R500 000 will account for 29 per cent of personal income tax revenues, and the 5.5 per cent of registered individual taxpayers with an annual taxable income above R500 000 will account for 38 per cent of personal income tax revenues during 2009/10.

The primary rebate is increased to R9 756 a year for all individuals. The secondary rebate is increased to R5 400 a year for individuals age 65 and over. The rates of tax in respect of the 2008/09 tax year and those proposed for 2009/10 are set out below.

Personal income tax rate and bracket adjustments

2008/09		2009/10	
Taxable income	**Rates of tax**	**Taxable income**	**Rates of tax**
R0 – R122 000	18% of each R1	R0 – R132 000	18% of each R1
R122 001 – R195 000	R21 960 + 25% of the amount above R122 000	R132 001 – R210 000	R23 760 + 25% of the amount above R132 000
R195 001 – R270 000	R40 210 + 30% of the amount above R195 000	R210 001 – R290 000	R43 260 + 30% of the amount above R210 000
R270 001 – R380 000	R62 710 + 35% of the amount above R270 000	R290 001 – R410 000	R67 260 + 35% of the amount above R290 000
R380 001 – R490 000	R101 210 + 38% of the amount above R380 000	R410 001 – R525 000	R109 260 + 38% of the amount above R410 000
R490 001 and above	R143 010 + 40% of the amount above R490 000	R525 001 and above	R152 960 + 40% of the amount above R525 000
Rebates		**Rebates**	
Primary	R8 280	Primary	R9 756
Secondary	R5 040	Secondary	R5 400
Tax threshold		**Tax threshold**	
Below age 65	R46 000	Below age 65	R54 200
Age 65 and over	R74 000	Age 65 and over	R84 200

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 below.

Income tax payable by individuals younger than 65

Taxable income (R)	2008 rates (R)	Proposed rates (R)	Tax reductions (R)	% reduction
54 200	1 476	–	-1 476	-100.0%
55 000	1 620	144	-1 476	-91.1%
60 000	2 520	1 044	-1 476	-58.6%
65 000	3 420	1 944	-1 476	-43.2%
70 000	4 320	2 844	-1 476	-34.2%
75 000	5 220	3 744	-1 476	-28.3%
80 000	6 120	4 644	-1 476	-24.1%
85 000	7 020	5 544	-1 476	-21.0%
90 000	7 920	6 444	-1 476	-18.6%
100 000	9 720	8 244	-1 476	-15.2%
120 000	13 320	11 844	-1 476	-11.1%
150 000	20 680	18 504	-2 176	-10.5%
200 000	33 430	31 004	-2 426	-7.3%
250 000	48 430	45 504	-2 926	-6.0%
300 000	64 930	61 004	-3 926	-6.0%
400 000	100 530	96 004	-4 526	-4.5%
500 000	138 730	133 704	-5 026	-3.6%
750 000	238 730	233 204	-5 526	-2.3%
1 000 000	338 730	333 204	-5 526	-1.6%

Income tax payable by individuals 65 years of age and older

Taxable income (R)	2008 rates (R)	Proposed rates (R)	Tax reductions (R)	% reduction
84 200	1 836	–	-1 836	-100.0%
85 000	1 980	144	-1 836	-92.7%
90 000	2 880	1 044	-1 836	-63.8%
100 000	4 680	2 844	-1 836	-39.2%
120 000	8 280	6 444	-1 836	-22.2%
150 000	15 640	13 104	-2 536	-16.2%
200 000	28 390	25 604	-2 786	-9.8%
250 000	43 390	40 104	-3 286	-7.6%
300 000	59 890	55 604	-4 286	-7.2%
400 000	95 490	90 604	-4 886	-5.1%
500 000	133 690	128 304	-5 386	-4.0%
750 000	233 690	227 804	-5 886	-2.5%
1 000 000	333 690	327 804	-5 886	-1.8%

Given that the tax-free income threshold for taxpayers younger than 65 years is approaching R60 000, which is the current Standard Income Tax on Employees (SITE) ceiling, consideration is being given to discontinuing the SITE system by 2010/11. Two measures introduced by SARS in 2008 – pre-populated returns and the waiver of the annual filing requirement for taxpayers with single employers meeting certain requirements – would take the place of SITE.

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Medical scheme contributions

From 1 March 2009, the monthly monetary caps for tax-deductible contributions to medical schemes will increase from R570 to R625 for each of the first two beneficiaries, and from R345 to R380 for each additional beneficiary.

Replacement of the medical scheme contribution deduction with a non-refundable tax credit is currently under consideration. To be broadly neutral in its overall impact, the tax credit would be set at about 30 per cent of the prevailing deduction. Where medical expenses in addition to contributions to schemes qualify as deductions, the credit would also be set at 30 per cent of allowable expenses. A consultation paper will be released during 2009 to allow for comment from interested parties, and to ensure that the change is consistent with broader health policy considerations. Implementation is proposed in two years' time so that SARS, employers and payroll providers will have sufficient time to make the necessary administrative adjustments.

In preparation for this proposal medical scheme contributions will cease to qualify as tax-free fringe benefits. All contributions paid by an employer will be regarded as taxable and the employee will be permitted to claim a tax deduction (or a credit) for contributions up to the cap. The net tax effect of this step should be neutral for both employee and employer.

The monthly caps have given rise to some compliance and administrative difficulties for both employers and SARS. These will be investigated to determine whether a legislative intervention is required.

Travel (motor vehicle) allowances

Claiming "deemed business kilometres" as a travelling expense is one of the few remaining salary structuring methods used to reduce tax liability. More than 500 000 taxpayers annually claim this deduction. Excessive deductions that do not match actual business expenses distort household purchasing decisions and travelling choices.

It is proposed that the deemed business kilometre procedure be scrapped from 2010/11. Taxpayers who are required to use their personal vehicles for business purposes will still be able to keep a logbook to claim business travelling expenses. This reform will improve the overall equity and efficiency of the income tax system. The default practice

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of claiming private kilometres travelled as business travel cannot be justified from an equity perspective.

Tax deductibility of post-retirement medical contributions

Some companies provide a subsidy towards medical scheme contributions for employees after retirement. In general, contributions towards medical schemes on behalf of pensioners on a pay-as-you-go basis are deductible by the employer.
Accounting practice now requires companies to reflect future obligations with respect to medical contributions for already retired employees as liabilities on their balance sheets. For this reason some companies prefer to settle these obligations as once-off payments directly to their retired employees. Other companies opt to make once-off contributions towards insurance-type products that will take over liability for some or all of the future medical expenses/contributions to a medical scheme on behalf of retirees.

To provide clarity on the deductibility of these once-off payments, it is proposed that such contributions be deductible immediately, not spread over a period of time. The precondition is that the company making such contributions must not derive any direct benefits from such payments, nor will a return of the funds to the employer or a redirection of the use of the funds be permitted.

Provisional tax for taxpayers 65 years and older

Individuals 65 years and older are exempt from provisional tax if they are not company directors and only receive employment income, interest, rental or dividends amounting to taxable income of up to R80 000. It is proposed that the threshold be increased to R120 000.

Savings

Tax-free interest, dividend income and capital gains

In line with government's goal of encouraging greater national savings, it is proposed to increase the tax-free interest-income ceiling from R19 000 to R21 000 for persons below the age 65 and from R27 500 to R30 000 for persons aged 65 and above. It is also proposed to increase the tax-free income ceilings for foreign dividends and interest from R3 200 to R3 500, and the annual exclusion ceiling for capital gains and losses for individuals from R16 000 to R17 500.

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Modification of capital gains exclusion for primary residence

The capital gains tax regime contains several exclusions designed to reduce the tax burden for lower- and middle-income earners. One such exclusion is for an individual's primary residence: a capital gain or loss of up to R1.5 million upon the disposal of such a residence is excluded from taxable capital gains.

To reduce the compliance burden and complexity associated with this measure, it is proposed that the exclusion be extended so that an alternative is available based on the gross sale proceeds of the residence. By basing the calculation on gross proceeds, the taxpayer would have a better understanding of how the exclusion applies on disposal, without resorting to complex capital gain calculations.

The capital gains tax exclusion will fully apply to the primary residence up to a gross value of R2 million. As a result, people selling their primary residence with a gross value below R2 million will not be liable for capital gains tax. For primary residences valued above this threshold the normal rules (including the current R1.5 million capital gain/loss exclusion) will apply.

Completion of the dividend tax reform process

The basic legislative framework for the introduction of the dividend tax, which replaces the secondary tax on companies, was enacted in 2008. The dividend tax will come into effect once the treaty ratification processes are completed. All the applicable treaties have already been renegotiated, and it is likely that this tax at shareholder level will be implemented during the second half of 2010.

Under the dividend tax regime, local individual taxpayers are taxed at 10 per cent; domestic retirement funds, public benefit organisations and domestic companies are exempt; and foreign persons are eligible for tax-treaty benefits (i.e. a potential reduction to a 5 per cent rate). The tax also provides for transitional credits, so that tax paid under the secondary tax on companies can be used to offset the dividend tax. The new tax also contains a mechanism under which the paying company (or paying intermediary) withholds the tax.

Further legislative amendments during 2009 will provide for the completion of the dividend tax reform. The remaining items mostly relate to anti-avoidance concerns (such

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as preventing companies from converting taxable sales to tax-free dividends) and to foreign dividends.

Treatment of collective investment scheme distributions

Under current law, a collective investment scheme (CIS) in shares is treated as a company whose distributions are treated as a special form of dividend. The CIS dividend is generally exempt, like other dividends, unless that dividend is distributed out of ordinary revenue (e.g. distributed out of interest and income from trading). In all cases, the CIS distribution retains its character as a dividend.

It is proposed that distributions by these schemes should generally follow a flow-through principle. If a CIS distributes dividends received, this should be viewed as dividend distribution; if it distributes interest received it should be viewed as an interest distribution. This approach will eliminate certain unintended anomalies. Currently, a CIS distribution results in less-favourable tax treatment for some investors.

Mineral and petroleum royalties

The Mineral and Petroleum Resources Royalty Act (2008) was scheduled to be implemented from 1 May 2009. It is proposed to postpone implementation until 1 March 2010, resulting in gross savings of about R1.8 billion in 2009/10 for mining companies. It is hoped that this relief will contribute to constructive dialogue between government, the mining houses and labour, resulting in practical initiatives to mitigate the impact of expected retrenchments in the sector.

Environmental fiscal reform

Climate change requires both global and domestic policy responses. Internationally, government is playing an important role in the post-2012 Kyoto Protocol negotiation process.

At the domestic level, environmental challenges likely to be aggravated by economic growth if natural resources are not adequately managed include excessive greenhouse gas emissions, large-scale release of local pollutants that result in poor air quality, inappropriate land use that leads to land degradation and biodiversity loss, deteriorating water quality and increasing levels of solid waste generation. While everyone feels the effects of environmental degradation, the impact of such deterioration on poor

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communities, particularly those sited near industrial areas, is often severe.

In recent years, the role of market-based instruments has gained prominence in addressing environmental concerns. Such instruments, which include taxes, charges and tradable permits, use the price mechanism to deter environmentally detrimental activity and encourage improved environmental management practices.

Appropriate domestic policy intervention will be required to ensure that mitigation and adaptation measures to address climate change are implemented.

Incentives for cleaner production – energy efficiency

A number of environmental statutes and regulations require the private sector to eliminate inefficiencies in the use of energy, water and raw materials. To complement these measures, market-based instruments are playing a greater role. Incentives for energy-efficient investments have been explored. Current legislation provides for a three year 50:30:20 per cent accelerated depreciation allowance for investments in renewable energy and biofuels production.

It is proposed that investments by companies in energy-efficient equipment should qualify for an additional allowance of up to 15 per cent on condition that there is documentary proof of the resulting energy efficiencies (after a two- or three-year period), certified by the Energy Efficiency Agency.

Plastic bag levy

The levy on plastic shopping bags was introduced at 3 cents per bag in 2004/05. Together with the agreement between government and the retail sector to charge for such bags, this levy has helped to reduce waste. It is proposed to increase the levy to 4 cents per bag from 1 April 2009.

Taxation of incandescent (filament) light bulbs

The introduction of an environmental levy on incandescent light bulbs to promote energy efficiency and reduce electricity demand is proposed. Energy-saving light bulbs last longer, require five times less electricity and result in lower greenhouse gas emissions. It is recommended that an environmental levy of about R3 per bulb (between 1 cent and 3 cents per watt) be levied on incandescent light bulbs at the manufacturing level and

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on imports from 1 October 2009.

Emission reduction credits from clean development projects

South Africa's greenhouse gas emissions rank in the top 20 in the world, contribute 1.8 per cent to global emissions and are responsible for 42 per cent of Africa's emissions. The clean development mechanism established in terms of the Kyoto Protocol allows for certified emission reductions (CERs) to be issued to recognise progress in reducing the release of greenhouse gases into the atmosphere. There is, however, uncertainty with regard to the income tax treatment of CERs, which may be one reason for the slow take-up of clean development mechanism projects in South Africa. It is proposed that income derived from the disposal of primary CERs be tax–exempt or subject to capital gains tax instead of normal income tax. Secondary CERs are to be classified as trading stock and taxed accordingly.

Motor vehicle *ad valorem* excise duties

Policy measures to address the environmental and social costs associated with the transport sector, such as reforms to vehicle and fuel taxation, seek to promote fuel efficiency, limit the rapid growth of the number of vehicles on the roads and encourage the use of public transport.

Improved fuel efficiency is important in curbing the growth in greenhouse gas emissions. It is recommended that the existing *ad valorem* excise duties on motor vehicles be adjusted to incorporate CO_2 emissions as an environmental criterion from 1 March 2010.

The current "luxury" *ad valorem* excise duties on new motor vehicle sales (passenger cars and light commercial vehicles) are based solely on price. At present, the following formula applies:

A. The tax rate (per cent) is equal to 0.00003 x (retail price less 20 per cent) less 0.75.

B. The tax base, which equals the recommended retail selling price less 28 per cent.

Imported new vehicles (passenger cars and light commercial vehicles) are subject to roughly similar formulas to ensure a similar tax incidence.

It is proposed to reduce the "luxury" *ad valorem* excise duty rate on the sale of new

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motor vehicles while introducing an additional tax (also ad valorem) component to take into account CO_2 emissions. The revised "luxury" component of the ad valorem excise duty will be as follows:

A. The tax rate (**X**) (per cent) is equal to 0.00002 x (retail price less 20 per cent) - 1.0.
B. The tax base, which equals the retail price less 28 per cent (the same as the current formula although the 28 per cent might be reviewed).

It is also proposed that the CO_2 emissions g/km tax rate for new vehicles be calculated as follows:

Tax rate (**Y**) (per cent) is equal to CO_2 emissions (g/km) / 15.0 - 8.0.

Tax rate (**Y**) (per cent) is equal to 0 per cent in the case of negative values.
The total ad valorem tax rate will equal **X** +**Y**.

The tax bases for the emission component will be the same as for the "luxury" component. The calculation for the "luxury" ad valorem tax rate component on imported vehicles will be adjusted.

The proposed rate structure will become effective from 1 March 2010.

Ad valorem "luxury" excise duty tax rates on motor vehicles (X)

Retail price	Current rate	Proposed rate	Deviation
R 50 000	0.5%	0.0%	-0.5%
R 100 000	1.7%	0.6%	-1.1%
R 150 000	2.9%	1.4%	-1.5%
R 200 000	4.1%	2.2%	-1.9%
R 300 000	6.5%	3.8%	-2.7%
R 400 000	8.9%	5.4%	-3.5%
R 500 000	11.3%	7.0%	-4.3%
R 600 000	13.7%	8.6%	-5.1%
R 800 000	18.5%	11.8%	-6.7%
R 864 500	20.0%	12.8%	-7.2%
R 1 000 000	20.0%	15.0%	-5.0%
R 1 312 500	20.0%	20.0%	0.0%

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Ad valorem "emission" tax rates on motor vehicles (Y)

Emission component	
CO_2 (g/km)	CO_2 emissions tax rate
100	0.0%
110	0.0%
120	0.0%
140	1.3%
160	2.7%
180	4.0%
200	5.3%
220	6.7%
240	8.0%
260	9.3%
280	10.7%
300	12.0%

International air passenger departure tax

The international air passenger departure tax, which stands at R120 per passenger on flights to international destinations and R60 on flights to Southern African Customs Union member states, was last raised in 2005/06. It is proposed to increase these amounts to R150 and R80 respectively from 1 October 2009.

Value-added tax

VAT voluntary registration threshold

The VAT refund mechanism is an integral part of the VAT system but remains a major risk area. One important measure implemented in 1999 was to deny businesses with an annual taxable supply turnover below R20 000 the ability to register as VAT vendors. It is proposed to increase this threshold to R50 000 from 1 March 2010. It is unlikely that a viable business requiring VAT registration will have turnover below this level.

False statements on VAT forms

It is proposed that false statements on any VAT form submitted to SARS, not just returns, be considered an offence. This will serve as a deterrent to those who seek to register for VAT without being eligible to do so.

Verifying applicants for VAT registration

As an additional measure to combat VAT fraud, the introduction of enabling provisions to permit the use of biometric measures to verify the identity of applicants for VAT registration is proposed.

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Customs and excise duties

Tobacco products

Excise duties on tobacco products will be increased in accordance with the policy decision to target a total excise burden (excise duties plus VAT) of 52 per cent for all categories of tobacco products. The proposed increases for the various tobacco products vary between 5.5 and 13 per cent as indicated below.

Alcoholic beverages

Excise duties on alcoholic beverages will be increased in accordance with the policy decision to target a total tax burden (excise duties plus VAT) of 23, 33 and 43 per cent on wine products, malt beer and spirits respectively. No increase in the excise duty on traditional beer is proposed. The proposed increases for the various alcoholic beverages vary between 7.6 and 14.7 per cent.

Changes in specific excise duties

Product	Current excise duty rate	Proposed excise duty rate	Percentage change	
			Nominal	Real
Malt beer	R42.38/ℓ of absolute alcohol (72c/average 340ml can)	R46.41/ℓ of absolute alcohol (79c/average 340ml can)	9.5%	4.1%
Traditional beer	7.82c/ℓ	7.82c/ℓ	0.0%	-5.4%
Traditional beer powder	34.70c/kg	34.70c/kg	0.0%	-5.4%
Unfortified wine	R1.84/ℓ	R1.98/ℓ	7.6%	2.2%
Fortified wine	R3.40/ℓ	R3.72/ℓ	9.4%	4.0%
Sparkling wine	R5.63/ℓ	R6.16/ℓ	9.4%	4.0%
Ciders and alcoholic fruit beverages	R2.12/ℓ (72c/average 340ml can)	R2.33/ℓ (79c/average 340ml can)	9.9%	4.5%
Spirits	R67.72/ℓ of absolute alcohol (R21.84/750ml bottle)	R77.67/ℓ of absolute alcohol (R25.05/750ml bottle)	14.7%	9.3%
Cigarettes	R6.82/20 cigarettes	R7.70/20 cigarettes	12.9%	7.5%
Cigarette tobacco	R8.67/50g	R9.15/50g	5.5%	0.0%
Pipe tobacco	R2.30/25g	R2.50/25g	8.6%	3.2%
Cigars	R39.72/23g	R44.88/23g	13.0%	7.6%

It is proposed that the customs and excise duties in Section A of Part 2 of Schedule 1 of the Customs and Excise Act, No. 91 of 1964, be amended with effect from 11 February 2009 to the extent shown below.

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Specific excise duties

Tariff item	Tariff heading	Description	2008/09 Present rate of duty Excise	Customs	2009/10 Proposed rate of duty Excise	Customs
104.00		**Prepared foodstuffs; beverages, spirits and vinegar; tobacco**				
104.01	19.01	Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 per cent by mass of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 04.01 to 04.04, not containing cocoa or containing less than 5 per cent by mass of cocoa calculated on a totally defatted basis not elsewhere specified or included:				
.10		Traditional beer powder as defined in Additional Note 1 to Chapter 19	34.7c/kg	34.7c/kg	34.7c/kg	34.7c/kg
104.10	22.03	Beer made from malt:				
.10		Traditional beer as defined in Additional Note 1 to Chapter 22	7.82c/ℓ	7.82c/ℓ	7 .82c/ℓ	7 .82c/ℓ
.20		Other	R42 .38/ℓ of absolute alcohol	R42.38 /ℓ	R46.41 / ℓ of absolute alcohol	R46.41 / ℓ
104.15	22.04	Wine of fresh grapes, including fortified wines; grape must (excluding that of heading 20.09):				
	22.05	Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances:				
.02		Sparkling wine	R5. 63/ℓ	R5.63 /ℓ	R6.16/ℓ	R6.16/ℓ
.04		Unfortified wine	R1. 84/ℓ	R1.84 /ℓ	R1.98/ℓ	R1.98/ℓ
.06		Fortified wine	R3. 40/ℓ	R3.40 /ℓ	R3.72/ℓ	R3.72/ℓ
104.17	22.06	Other fermented beverages, (for example, cider, perry and mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included:				
.05		Traditional beer as defined in Additional Note 1 to Chapter 22	7.82c/ℓ	7.82c/ℓ	7 .82c/ℓ	7 .82c/ℓ
.15		Other fermented beverages, unfortified	R2. 12/ℓ	R2.12 /ℓ	R2.33/ℓ	R2.33/ℓ
.17		Other fermented beverages, fortified	R4. 32/ℓ	R4.32 /ℓ	R4.73/ℓ	R4.73/ℓ
.22		Mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages	R2. 12/ℓ	R2.12 /ℓ	R2.33/ℓ	R2.33/ℓ
.90		Other	R4. 32/ℓ	R4.32 /ℓ	R4.73/ℓ	R4.73/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:				

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Specific excise duties (continued)

Tariff item	Tariff head-ing	Description	2008/09 Present rate of duty Excise	Customs	2009/10 Proposed rate of duty Excise	Customs
	22.08	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 per cent; spirits, liqueurs and other spirituous beverages:				
.10		Wine spirits, manufactured by the distillation of wine	R67.72/ℓ of absolute alcohol	R67.72/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol
.15		Spirits, manufactured by the distillation of any sugar cane product	R67.72/ℓ of absolute alcohol	R67.72/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol
.25		Spirits, manufactured by the distillation of any grain product	R67.72/ℓ of absolute alcohol	R67.72/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol
.29		Other spirits	R67.72/ℓ of absolute alcohol	R67.72/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol
.40		Liqueurs and other spirituous beverages	R67.72/ℓ of absolute alcohol	R67.72/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol	R77.67/ℓ of absolute alcohol
104.30	24.02	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes:				
.10		Cigars, cheroots, and cigarillos, of tobacco or of tobacco substitutes	R1 726.92 /kg net	R1 726.92 /kg net	R1 951.43 /kg net	R1 951.43 /kg net
.20		Cigarettes, of tobacco or of tobacco substitutes	R3.41 /10 cigarettes	R3.41 /10 cigarettes	R3.85 /10 cigarettes	R3.85 /10 cigarettes
104.35	24.03	Other manufactured tobacco and manufactured tobacco substitutes; "homogenised" or "reconstituted" tobacco; tobacco extracts and essences:				
.10		Cigarette tobacco and substitutes thereof	R173.49/kg	R173.49/kg	R183.04/kg	R183.04/kg
.20		Pipe tobacco and substitutes thereof	R92.15 /kg net	R92.15 /kg net	R100.10 /kg net	R100.10 /kg net

Fuel levies

General fuel levy

Given the importance of maintaining a strong price signal to limit fuel consumption, road congestion and environmental impact, it is proposed to increase the general fuel levy. In addition, noting the increasing use of diesel in passenger vehicles, government intends to equalise the general fuel levy on diesel and petrol over time. It is proposed to increase the general fuel levy on petrol and diesel by 23 and 24 cents per litre respectively from 1 April 2009. The diesel fuel levy refund relief for the primary sector remains unchanged in percentage terms and its monetary value will be adjusted accordingly.

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Road Accident Fund levy

It is proposed to increase the RAF levy by 17.5 cents/litre, from 46.5 c/l to 64.0 c/l from 1 April 2009. It is hoped that these adjustments and recent reforms to the legislation governing the RAF will strengthen the Fund's financial position and effectiveness.

Total combined fuel levy on leaded petrol and diesel

	2007/08		2008/09		2009/10	
c / litre	**93 Octane petrol**	**Diesel**	**93 Octane petrol**	**Diesel**	**93 Octane petrol**	**Diesel**
General fuel levy	121.00	105.00	127.00	111.00	150.00	135.00
Road Accident Fund levy	41.50	41.50	46.50	46.50	64.00	64.00
Customs and excise levy	4.00	4.00	4.00	4.00	4.00	4.00
Illuminating paraffin marker	–	0.01	–	0.01	–	0.01
Total	**166.50**	**150.51**	**177.50**	**161.51**	**218.00**	**203.01**
Pump price: Gauteng (as in February) [1]	561.00	542.10	750.00	732.30	643.00	649.35
Taxes as % of pump price	*29.7%*	*27.8%*	*23.7%*	*22.1%*	*33.9%*	*31.3%*

1. Diesel (0.05% sulphur) wholesale price (retail price not regulated).

Tax-sharing arrangements with metropolitan municipalities

As part of continuing efforts to find a viable basket of tax instruments to replace the Regional Services Council (RSC) and Joint Services Board (JSB) levies that were abolished several years ago, it is proposed that from 2009/10, 23 per cent of the revenues from the general fuel levy be earmarked for metropolitan (Category A) municipalities. Distribution of this revenue among various metropolitan municipalities, to be phased in over four years, will eventually be based on fuel sales in each metro. Consideration will be given to ensuring that municipalities use such funds to boost budgets for roads and transportation infrastructure.

Other measures under review

Income Tax Act rewrite – phase one

Government's commitment to retirement reform and the creation of a broader social security safety net will comprise a number of reforms, some of which have been already implemented. To continue making progress while key policy issues are still under discussion, it is proposed that the employment income tax base be simplified.

At issue initially is the development of a uniform definition of employment income to be applied across all tax instruments. This would be important for social security and private

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pensions, and provide alignment with Unemployment Insurance Fund (UIF) contributions and the skills development levy. It would help to reduce compliance costs for employers and support efforts by SARS to modernise taxation of salaried taxpayers.

To enhance the process of simplification, proposed revisions to the employment income tax base will represent the first step towards rewriting the Income Tax Act (1962). It is intended that a discussion document and draft legislation will be released for comment by the end of 2010.

Provident funds, social security and retirement reforms

The current debate on social security and retirement reforms has raised the need to examine whether provident funds should be phased into pension funds. This question is also relevant given the different tax treatment of contributions to pension and provident funds. One option would be to phase out provident funds as a prelude to broader social security reforms. This option will be explored with the relevant stakeholders during 2009.

Tax administration modernisation agenda

A set of incremental changes is proposed to underpin the SARS modernisation agenda. These measures will allow for continued progress in the reform of personal income tax collection and lay the groundwork for a future social security tax. The changes are:

- The introduction of enabling provisions to require employer reconciliations of employees' tax more frequently than once a year, together with the extension of the reconciliations to skills development levies and UIF contributions.
- Reinstatement of employers' obligation to obtain and maintain certain employee data (originally known as the IRP2 and done away with in 1995), and to report this data as required.
- Permitting SARS to provide employees' tax reference numbers and certain other non-financial data to their employers.
- Requiring other third-party data providers to include taxpayer reference numbers – which will be available in many cases due to requirements of the Financial Intelligence Centre Act (2001) – with the information they provide.
- Alignment of estimated assessment, interest and additional tax provisions across personal income tax, the skills development levy and UIF contributions.

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Key customs modernisation measures were introduced in 2008 and supporting amendments are anticipated in 2009. Measures under consideration in accounting for SARS's administered revenue include:

- Moving to a single taxpayer account across different tax types.
- Use of a single interest rate on underpayments and overpayments.
- Charging compound interest instead of simple interest.
- A revised payment allocation rule that generally sets payments off against the oldest outstanding debt.

SARS is assessing the potential for a single taxpayer registration process across multiple taxes, as well as the automatic registration of employees. This would improve customer service and operational efficiency, using technology and third-party information to authenticate data, and reduce the need for supporting documents.

Miscellaneous income tax amendments

Personal and employment tax issues

- *Employer contributions to a retirement annuity fund:* If retirement annuity fund contributions are paid directly by the employer for the benefit of employees, the contributions are included in the gross income of the employees but are not deductible by the employees. It is proposed that these contributions should be deductible, subject to existing limits, so that they are placed on par with other retirement annuity fund contributions made directly by employees.
- *Additional deductions for learnerships:* Employers obtain additional deductions for employees engaged in learnerships (i.e. a deduction in addition to the normal deduction for a salary expense) to encourage skills training. The legislation relating to these deductions, however, is overly complex due to the excessive number of variables. Under consideration is a reduction of variables (without compromising the value of the incentive) so that the legislation can be simplified in terms of compliance and enforcement.
- *Pre-1998 retirement benefits for public servants:* Lump-sum retirement benefits of public servants were tax free prior to 1998. The Income Tax Act was amended three years ago to protect the retrospective pre-1998 retirement benefits of non-statutory forces that were incorporated into the new defence force. There are, however, other public-sector employees who were previously denied such retirement benefits and, in terms of a Public Sector Bargaining Council agreement, such current and former employees' retirement benefits will be partially restored. The restored retirement benefits that predate 1998 should also be treated as tax exempt. The Income Tax

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Act will be amended accordingly.

- *Treatment of unrealised gains on death:* The tax system generally imposes tax on unrealised gains associated with the assets of the deceased upon date of death. Gains so taken into account should not be taxed again in the hands of an heir or legatee who acquires those assets. It has now emerged that certain assets technically fall outside this general relief, thereby giving rise to additional taxation. This unintended additional layer of tax will be removed.

Business issues

- *Small business owners' use of shelf companies:* If a shareholder owns multiple companies, these companies may not access small business corporation relief or the turnover tax for micro businesses. The purpose of this prohibition is to prevent shareholders from dividing a single large business into multiple small businesses so as to artificially obtain undue tax benefits for each of these divided parts. Unfortunately, this exclusion has the unintended effect of denying relief for small business owners who place their businesses in purchased shelf companies. To remedy this situation, the exclusion against multiple company ownership should not apply in respect of companies that have never been more than a shell.
- *Permissible short-term insurance reserves:* Taxpayers engaged in domestic short-term insurance operations can only deduct their reserves if these reserves are regulated by the Financial Services Board as a condition for engaging in the short-term insurance business. The law needs to be clarified to ensure that reserves relating to offshore short-term insurance operations are eligible for potential deductions only if subject to substantially similar regulation and evaluation by SARS.
- *Application of leasing losses against corresponding recoupments:* Leasing losses from financial (i.e. non-operating) leases or leasing losses of a bank or financier can only be used against leasing income. A technical anomaly has arisen that prevents these leasing losses from being used against corresponding recoupments from the disposal of assets giving rise to these leasing losses. No reason exists for preventing the application of these losses in these circumstances, and this anomaly will accordingly be removed.
- *Controlled foreign company (CFC) rulings relief:* CFCs generate net income that is imputed to their South African resident shareholders (thereby being subject to South African tax) to the extent these CFCs have tainted income (e.g. passive income and income likely to be diverted offshore for tax avoidance reasons). Because the objective nature of the tainted CFC income characterisation sometimes creates tax where no tax avoidance exists, Section 9D(10) was added to provide relief if SARS provides a ruling that the transaction does not represent an erosion of the tax base.

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However, this relief measure is proving difficult to administer because the issues raised are typically of a policy nature as opposed to administrative interpretation. It is accordingly proposed that the rulings exemption be re-examined along with the creation of additional objective exemptions where circumstances so warrant.

- *Liquidating inactive entities:* Various pressures exist to liquidate entities with inactive real estate (e.g. vacant land and residential property). To alleviate these pressures, it is proposed that rollover relief be provided to facilitate these liquidations for a transitional period.
- *Securities lending arrangements:* Securities lending has features of both loans and disposals. The tax law generally treats these loans as disposals, with limited relief for 12 months for certain arrangements. It has now been discovered that certain securities lending arrangements seek to be treated as loans for certain purposes and as a loss of ownership for others, generating artificial losses. While this treatment is suspect under current law, it may be necessary to clarify the law so that all forms of securities lending fall under either loan or disposal treatment (not a mix of both).
- *Company law reform:* A revised Companies Act was introduced in 2008 that will become effective as of 1 January 2010. The impact of this new legislation on income tax is under review. Corresponding tax changes will generally be initiated in 2010 once the full ramifications of the revised act are fully accounted for, with urgent matters initiated in 2009.
- *Oil and gas companies conducting incidental trades:* Two years ago, government enacted an income tax incentive to encourage domestic oil and gas exploration and production. To qualify for this relief, it was intended that companies must be engaged solely in oil exploration and production, with other sources of income coming solely from passive sources. On review, it has been determined that the legislation was too restrictive because typical oil and gas operations entail incidental business activities. It is accordingly proposed that the oil and gas incentive regime be liberalised in this respect. However, the law also needs to be clarified to ensure that the incentive does not permit the deduction of oil and gas exploration expenditure outside the Republic.
- *Underwater telecommunication cables:* Telephone lines and cables are currently eligible for a 5 per cent depreciation write-off over 20 years. The telecommunications industry is now seeking to lay underwater cables for voice and data communications off the African coast. It is accordingly proposed that these underwater cables be given the same 5 per cent write off as land-based telephone lines and cables. An issue under examination is the extent to which this write-off should be available for different forms of utilisation (e.g. joint ownership versus an indefeasible right of use).

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- *Telecommunication license consolidation:* The telecommunications industry operates under a variety of licenses (e.g. 2G and 3G, frequency and internet provider). The Independent Communications Authority of South Africa is planning to require consolidation of these related licenses into a single telecommunications license per company to simplify administration. It is proposed that these regulatory consolidations be legislatively treated as a tax-free rollover event (to the extent the consolidation would otherwise give rise to capital gains taxation).
- *Depreciation of improvements:* As a theoretical matter, improvements should be treated on par with underlying initial investments for purposes of tax depreciation. If an initial "new and unused" investment can be depreciated over 20 years, "new and unused" improvements for a similar investment should similarly be depreciable over 20 years (even if the underlying investment is not "new and unused"). While this principle exists in certain circumstances, the law needs to be clarified to ensure that this principle uniformly applies for all depreciable items.

Special circumstances

- *Pre-existing cooperatives:* South Africa has three main forms of cooperatives: those engaged in agriculture, consumer purchase "buy-aids" and small retail banking cooperatives. In 2005, the Department of Trade and Industry sought to revise and expand the role of cooperatives through new legislation, which will only become fully effective in 2010. In view of this legislation, the tax law will be reviewed to determine whether legislation is required to preserve tax benefits that existed under prior law, with necessary amendments being made accordingly.
- *Agricultural trusts:* Agricultural boards under the indirect auspices of the Department of Agriculture have long been exempt as indirectly controlled government parastatals. Many years ago, these boards were converted into trusts pursuant to a legislative mandate that narrowed their authority, while the Department of Agriculture continued to retain control over certain trustee positions, trustee rules amendments and certain cash-flows (e.g. levies). The purpose of these trusts is to promote South African agriculture in the areas of research, training, support for land reform and in other areas. Despite their conversion into trusts, the underlying activities should largely retain their exemption, with possible legislative amendments required to achieve this objective.
- *Converted Section 21 companies:* Section 21 non-profit companies may be eligible for tax relief if formed or incorporated as a Section 21 company. However, this relief is technically not available for the same entity if that entity begins as a for-profit company and subsequently converts to a Section 21 company. This

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anomaly will be removed.

- *Amendments to the partial taxation of clubs:* Tax relief for clubs was changed in 2006 from complete exemption to a system of exempting specified activities. All clubs created from 1 April 2007 fall under this new system, with pre-existing clubs being required to apply for the partial exemption system by the close of 31 March 2009. It is proposed that the application deadline for pre-existing clubs be moved to 30 September 2010 due to compliance difficulties. Other technical anomalies associated with the revised taxation of clubs will also be remedied.
- *Supporting public benefit organisations:* Some public benefit organisations enjoy exemption while others enjoy both exemption and the ability to receive deductible donations. Under current law, however, some supporting public benefit organisations (i.e. those designed to provide support to other public benefit organisations) cannot obtain deductible donations even if dedicated solely to public benefit organisations that enjoy deductible donation status. The deductible donation status of supporting public benefit organisations will be considered to the extent that it does not give rise to avoidance.
- *Financial Consumer Education Foundation:* In 2007, it was announced that the Financial Consumer Education Foundation (formed under the auspices of the Financial Services Board) would be eligible for tax-deductible donations. It was initially believed that this result could be achieved via interpretation, but it has now been determined that legislation will be required.
- *Film rebate subsidies:* The DTI provides rebates for a portion of the costs incurred for producing a South African-located film. The Income Tax Act also contains an explicit exemption for parties receiving or accruing these DTI rebates, but this exemption fails to account for the practical structures used to receive the rebate. Film producers typically wish to assign these rebates to their investor-owners as part of their funding arrangements but find that this funding mechanism undermines the tax exemption. It is accordingly envisioned that the tax exemption be extended so that the rebate can be assigned to investor-owners without triggering additional tax. On a related note, the current film scheme anti-avoidance rules may need expansion in view of a new set of film schemes currently in the market.
- *Judicial decisions in respect of trading stock and restraint of trade:* Two recent court decisions may require legislative intervention to preserve the status quo. In the first decision, the Tax Court held that mining stockpiles could not be considered to be trading stock. While this decision will be appealed, it may be necessary to amend the Income Tax Act with immediate effect to prevent other taxpayers engaged in mining from taking this position while the appeal is under way. In the second decision, the Supreme Court of Appeal overturned a decision by the Tax Court

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that multiple restraints of trade paid by a company to the same individual were in the nature of a salary substitute and therefore taxable in the individual's hands after the first payment. While an amendment was passed in 2000 making restraints of trade fully taxable, a further legislative intervention may be required to round out this amendment.

Administrative tax issues

- *Clarification of Section 88A settlement procedures:* When the Section 88A settlement procedures were introduced into legislation in 2003, the underlying assumption was that the settlement of disputes would only commence after the relevant assessment. Operational uncertainty now exists as to whether settlements may be concluded prior to assessments. It is therefore proposed that section 88A be clarified to ensure that settlement procedures are limited to post-assessment.
- *Payment of interest on allowance of an objection:* The Income Tax and VAT Acts do not require SARS to pay interest on the overpayment of tax when a taxpayer is required to pay a disputed amount while the amount is subject to objection – with the objection subsequently being allowed. This non-payment of interest is arguably contrary to one of the core principles on which the constitutionality of the "pay now argue later" principle is based. In order to address these concerns, it is proposed that the Income Tax and VAT Acts be amended to: (i) clarify that payment is not suspended due to objection, (ii) formalise the circumstances where payment will be required despite objection, and (iii) provide for interest where a payment made pending consideration of an objection is refunded.
- *Interest on delayed payment by employers of PAYE:* If employers fail to withhold and pay over to SARS employees' tax, SARS can enforce payment of this tax amount as a "penalty". Current legislative treatment of this failure to pay employee taxes as a "penalty" is theoretically incorrect and has the unintended impact of preventing SARS from charging interest for the delayed payment. Interest charges will be imposed accordingly.
- *Rounding:* To further simplify the income tax return process, the rounding off of employees' tax, provisional tax, foreign tax credits and tax calculated to the nearest rand is proposed.

Miscellaneous estate duty amendments

- *Portable R3.5 million deduction between spouses:* Under current law, both spouses are each entitled to an estate duty deduction of R3.5 million. In widely accepted estate planning, each spouse seeks to use the R3.5 million deduction by

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removing assets worth R3.5 million from the estate while keeping practical control of the assets for the benefit of the spouse via a trust mechanism. It is proposed that spouses be given flexibility in using their combined estate duty deductions without the artifice of the (often costly and complex) trust mechanism. Under this proposal, the surviving spouse's (or spouses') estate will benefit from the unused deduction of the deceased spouse automatically.

- *Timing and recovery of additional assessments:* Estates with a value exceeding the R3.5 million deduction threshold are issued their initial estate duty assessments (or deemed assessments) when the assets of the estate are distributable. SARS can also raise additional assessments within the following five years (and in some cases beyond). Enforcement after closure of the estate, however, is problematic as a practical matter because the executor no longer has control over the assets. It is therefore proposed that the current five-year rule for additional assessment and recovery be reconsidered so as to reach finality upon the closure of the estate (to the extent possible) while protecting the fiscus against fraud, misrepresentation and non-disclosure.
- *One-year usufructuary interest schemes:* A commonly known one-year usufructuary scheme exists in the market that allegedly undermines the estate duty. This scheme involves the estate duty-free transfer of a life-time usufructuary interest to a spouse, with the children receiving the bare dominium. On the death of the spouse, the usufructuary interest is transferred with a one-year interest going to a person, after which the remaining rights transfer to the intended heirs. The scheme essentially relies on the misapplication of the 12 per cent per annum valuation presumption in the context of a one-year interest. This scheme will accordingly be closed.

Miscellaneous VAT amendments

- *VAT implications of reorganisations:* Following the enactment of reorganisation rollover relief for income tax in 2001/02, reorganisation relief provisions were enacted for VAT in 2005. However, interpretational issues have arisen regarding changes in use and input credits (e.g. commissions and legal fees). Many of these reorganisation problems appear to have their roots in the transfer of assets involving mixed supplies (e.g. banks, insurers and transport companies having both taxable and tax-exempt supplies). To remedy these concerns, an interpretation note will be issued clarifying these matters (with possible legislation if required).
- *Taxpayer relief from late payment interest charges:* Taxpayers are required by law to pay interest on late payments or excessive refunds. SARS has the discretionary power to grant full or limited relief for interest due on late payments if: (i) there is no loss to the state, or (ii) there is no financial benefit for the taxpayer. The choice of

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which of these grounds should be used often complicates the application of this relief provision. It is proposed that clarification be provided to eliminate the potential for inconsistent application.

- *Share block schemes:* Shares of a share block scheme represent a special form of interest in underlying real estate. Under current law, the transfer of these shares can trigger transfer duty, VAT or neither. The law will be clarified so at least one form of indirect tax applies.

Miscellaneous customs and excise amendments

- *Ensuring a single procedure for customs dispute resolution:* Amendments will be considered to align the remission and mitigation provisions within the customs dispute resolution procedure in order to ensure that a single procedure is followed. Further amendments may also be considered based on the outcome of a recently completed internal review of the dispute resolution procedure and its application.
- *Further simplification of warehouse policies and procedures:* A facility to allow for the periodic clearance of goods exported from licensed warehouses is required to assist with the administration of, among others, ship stores.
- *Advance passenger information:* The Customs and Excise Act was recently amended to provide for the compulsory electronic communication of advance passenger information and the protection of personal information contained therein. It is anticipated that further consequential amendments may be necessary following implementation.
- *Amendments to customs transit procedures:* Amendments to the Customs and Excise Act will be considered for improved provision for interruptions in transit (for example, as a result of re-packing, tallying, sorting, cleaning, inspecting and sealing the goods, carrying out activities directed at preserving the condition of the goods, as well as the consolidation of shipments).
- *Customs enforcement at the border:* In order to further support the Customs Border Control Unit (CBCU) in successfully carrying out its mandate, amendments to the Customs and Excise Act will be considered relating to, inter alia, the powers of officers to patrol and carry out surveillance, the powers of officers to question and search persons, equipment and facilities used for the detection of illicit goods concealed on a person and to provide for equipment used by the unit.
- *Treatment of duty-free VAT-exempt goods:* Goods that are free of customs duty can currently not be cleared under any item to Schedule 4 to the Customs and Excise Act relating to a rebate of customs duty. Amendments to the relevant acts will be considered to enable duty-free VAT-exempt goods to be cleared.
- *2010 FIFA World Cup:* Provision has already been made for special tax matters

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relating to the 2010 FIFA World Cup (including the 2009 Confederations Cup). Other procedural or administrative matters contained in the Customs and Excise Act may, however, require amendment as a result of the tournament or for its duration. Suitable amendments will be considered as required.

General miscellaneous amendments

Ratification of ministerial determined transfer duty and securities transfer tax rate and exemption changes: Rate reductions (and new exemptions) for the transfer duty and the securities transfer tax should normally take effect on 1 March of that year or shortly after the Budget Speech. The law allows the change to apply from these dates until the close of a six-month period following ministerial announcement, thereby allowing enough time for consideration by Parliament. In view of certain envisaged changes to the tax legislative process, it is proposed that the six-month period be extended to 12 months in line with similar rules in existence for customs and excise.

Technical corrections

In addition to the miscellaneous amendments above, the 2009 legislation will contain various technical corrections. These technical corrections will address non-revenue impact items, such as typing and grammatical errors, incorrect or misleading headings or definitions, misplaced cross-references, differences between the two texts of the legislation, obsolete provisions (e.g. updating the tax acts in the light of other non-tax legislative changes), incorporation of regulation into law and problems relating to effective dates. These technical corrections may also occasionally include changes to legislation clearly at odds with legislative intent as well as obvious ambiguities and omissions, especially in respect of legislation introduced in 2008. All technical corrections described herein are not intended as a change in policy.

Items of small note relate to the specific inclusion of rates and thresholds stemming from the 2008 legislation (such as the rates for the turnover tax for micro businesses) as well as some final refinements relating to retirement (especially divorce). Other technical changes are envisioned stemming from the Mineral and Petroleum Resources Royalty Act as well as the Diamond Export Levy Act. Both tax instruments are being implemented with some changes requested to account for unanticipated circumstances. The Diamond Export Levy Act amendments largely relate to administration (e.g. registration), and the Mineral and Petroleum Resources Royalty Act amendments relate to technical aspects.

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All tax proposals will be published in draft legislation and will be refined following a consultation process.

Summary of the effects of the 2009 Budget tax proposals

The anticipated revenue impact of the 2009/10 tax proposals is to reduce total estimated tax revenue by R4.6 billion. The electricity tax (announced in 2008) and the diamond export levy (enacted during 2008), both of which will only be implemented during 2009/10 are included in the table below.

Summary of the effects of the 2009 Budget tax proposals

R million	Effect of tax proposals
Personal income tax	**-13 550**
Adjust personal income tax rate structure	-13 000
Adjustment in monetary thresholds (medical scheme contributions and savings)	-550
Business taxes	**-1 000**
Industrial policy	-1 000
Indirect taxes	**9 975**
Increase in general fuel levy	4 890
Electricity tax	2 780
Incandescent light bulb levy	20
Air passenger departure tax	120
Plastic bag levy	15
Diamond export levy	50
Increase in excise duties on tobacco products and alcoholic beverages	2 100
Budget 2009/10 proposals	**-4 575**

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Lehae la SARS • 299 Bronkhorst Street • Nieuw Muckleneuk • 0181
Private Bag X923 • Pretoria • 0001
www.sars.gov.za

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