national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Submission to the Parliamentary Standing Committee on Finance

Responses to comments on the Rates and Monetary Amounts and Amendment of Revenue Laws Bill

Only two comments were received on the Rates and Monetary Amounts Amendment of Revenue Laws Bill – this is not surprising, as the Bill focuses largely on tax rates and monetary threshold changes announced in the Budget, for implementation in 2013, and most are providing relief to taxpayers. Many of the comments received do not relate to the draft Bill itself but rather to what is not in the Bill. Some of the comments relates to more substantive issues that are better dealt with through the parallel process for the Taxation Laws Amendment Bills, a draft of which has already been presented to the Standing Committee on Finance.

Bursary relief

1. PWC: The increases in the remuneration threshold and the bursary relief thresholds, which are to apply from 1 March 2013, have been excluded from this bill (although they are included in the Draft Taxation Laws Amendment Bill). By excluding the change from this bill, employers would not be able to withhold the correct amount of tax from qualifying employees in a timeous manner, leaving this vulnerable group with a lower amount of income for an extended period. The delay would also cause administrative hassles for employers. Recommend that this policy change is included in the Rates and Monetary Amounts and Amendment of Revenue Laws Bill.

Response of National Treasury to 1: Proposal not accepted

a. The proposed amendments are set to be effective from 1 March 2014, and not 1 March 2013. As such there should not be any delays or administrative complications from including the amendment in the Draft TLAB. The

amendments of these thresholds were accompanied by other structural changes to this incentive, hence the delayed implementation date.

Adjustments for inflation

2. PWC: The turnover threshold for micro businesses has not been adjusted since 2009, thereby excluding a greater number of micro businesses each year. The threshold is also inadequate since business would have to generate over R108 900 in profit from R1m turnover in order to benefit. The threshold needs to be adjusted annually for inflation.

Response of National Treasury to 2: Proposal not accepted

The take up of the turnover tax for micro businesses has been very modest and it is not clear if increasing the R1 million thresholds annually will make any difference in the take up rate. The effectiveness of the turnover tax will be reviewed by the Tax Review Committee and amendments to this tax regime will be considered based on the recommendations that might come forth.

3. PWC: The retirement lump sum withdrawal rates table has not been adjusted for inflation since 2009 when it was introduced. Unclear as to why other income tax rates are adjusted for inflation while these rates are not adjusted. The table should be adjusted for inflation.

4. PWC: The normal retirement lump sum tax table has not been adjusted for inflation for 2013. This table should also be adjusted annually for inflation in order not to be punitive to retirees.

Response of National Treasury to 3 and 4: Proposals not accepted

The length of time since the last increase, as well as other contributing factors, is taken into account when considering amendments to some monetary thresholds. In previous amendments there have been larger increases in thresholds or the thresholds have be set at relatively high initial levels so that it can remain unchanged in nominal terms for some time. It is important to encourage the preservation of retirements savings and / or annuities rather than lump sums hence the reason for not adjusting these tablesfrequently, unlike for example the Personal Income Tax tables and rebates that are adjusted annually to either fully and partially take account of inflation.

Additional comments on the tax system as a whole

5. The South African Constitutional Property Rights Foundation: The committee should consider shifting the composition of tax revenues from income taxes and VAT to taxes on property. This would make land more affordable to a greater proportion of the population and lower the wealth gap.

Response of National Treasury: Proposal rejected

The comment is not relevant to the details in the Rates and Monetary Amounts and Revenue Laws Bill. This radical restructuring of the tax system is not supported. No major developed, emerging or developing country has managed to solely rely on one tax only. The foundation believes in a one shoe fits all approach, and submits the same proposal regularly. National Treasury rejects the proposal.