

Presentation by the CFO FORUM to the Standing Committee on Finance

14 September 2016

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The CFO FORUM



- ❑ Group of Chief Financial Officers of major JSE listed and larger state-owned companies
- ❑ Formed in 2011 with no specific industry bias
- ❑ Aims to contribute positively to the development of South Africa's policy and practice on financial matters that affect large business
- ❑ Values the opportunity to make representation on the draft TLAB and TALAB.

CFO Forum Submission to National Treasury



In response to the draft TLAB and TALAB the CFO forum submitted the attached recommendations to National Treasury covering:

2016 Draft Taxation Laws Amendment Bill (TLAB)

- Withdrawal of adjustment for certain losses - s9D
- Tax relief for mining companies on infrastructure for mining communities in terms of Social and Labour Plan - s36(11)
- Taxation of employee share gains and dividends - s8C, s8CA & s10(1)(k)

Recommended additions

- Extension beyond 1 October 2016, when the current the learnership incentives close – s12H
- Group relief, in particular s45, to be expanded to include relief provide for s8(5) recoupments

2016 Draft Tax Administration Laws Amendment Bill (TAAB)

- Administrative issue in the Mineral and Petroleum Resources Royalty (Administration) act

2016: TLAB Proposed Amendments



- s9D - Withdrawal of adjustment for certain losses
 - Entity losses not disregarded: Foreign tax regimes have timing differences with South African tax laws
 - Group losses not disregarded: Group taxation in foreign jurisdiction are well established (legal and other commercial requirements). Recognition of this is important and needs to be retained for s9D computation
 - **Higher combined tax or double taxation of offshore profits of South African multinationals will reduce international competitiveness and inhibit growth potential.**

2016: TLAB Proposed Amendments



- s36(11) - Tax relief for mining companies on infrastructure for mining communities in terms of Social and Labour Plan
 - Clarity provided by the new provision is welcomed
 - A deduction period shorter than 10 years should incentivise mining companies to spend more on:
 - Infrastructure - facilitate economic growth of mining communities;
 - Housing – alleviate shortage and increase affordability; and
 - Hospitals, schools and recreational facilities - improve the quality of life within the mining communities
- **Expenditure of this nature is more likely to have a long lasting benefit for these communities**

2016: TALAB Proposed Amendments



- Royalty tax final return - Mineral and Petroleum Resources Royalty (Administration) act:
 - The current provision that the final royalty return is due 12 months after the tax year end was increased, from the then 6 months period, with effect from the 2014 tax year.
 - Shortened filing period resulted in unnecessary and costly administrative burdens for both the taxpayer and SARS as the Corporate Income Tax (CIT) and Royal Tax computations are interdependent:
 - Royalty computation uses the same income and expense amounts as for CIT

2016: TALAB Proposed Amendments



- Finalisation of income (or revenue) and expenses for CIT require time consuming analysis which necessitates the 12 month period to submit final CIT return.
- Where a final Royalty tax return is filed 6 months after year end on provisional amounts, a revised return will need to be filed when the CIT return is filed 6 months later.
- Resulting in additional administration which is perpetuated by Royalty tax administration not being part of the SARS e-filing system

2016: TALAB Proposed Amendments



- Similar to CIT provisional payments, the 1st and 2nd provisional Royalty tax payments are made by 30 June and 31 December of the specific tax year. Therefore Royalty tax is effectively paid in that year with a refund or additional payment in the following year
- **Reducing the final Royalty tax return filing period is not likely to improve tax collection in a particular year and will create unnecessary administrative burden**

2016: TALAB Proposed Amendments



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Thank you
and
Questions

