

# Presentation by the CFO FORUM to the Standing Committee on Finance

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# The CFO FORUM

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- ❑ 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

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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

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- 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

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- 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

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- 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

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- 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

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- Similar to CIT provisional payments, the 1<sup>st</sup> and 2<sup>nd</sup> 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

