**1. Report of the Standing Committee on Finance on the Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B17 – 2019] (National Assembly - section 77), dated 20 November 2019**

The Standing Committee on Finance, having considered and examined **the Rates and Monetary Amounts and Amendment of Revenue Laws Bill [B17 - 2019]** (National Assembly- section 77), referred to it, and classified by the JTM as a Money Bill, reports as follows;

1. The Minister of Finance’s tax proposals were part of the 2019 Budget announcements on 20 February 2019. Owing to the change of government administration, which mainly affected the operations of the Executive and the Legislative arms of government, as a result of the National Elections in May this year, the Standing Committee on Finance, jointly with Select Committee of Finance, held its public hearings on the draft tax bills late in the year on 10 September, after being briefed on the draft tax bills by the National Treasury and SARS on 03 September. The National Treasury and SARS responded to the public submissions on 18 September 2019.
2. The 2019 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bills (Rates Bill) was first published on 20 February and published for the second time on 21 July 2019 in order to solicit public comments. It deals with changes in rates and monetary thresholds, changes to personal income tax tables, increases of excise duties on alcohol and tobacco, and adjustments to the eligible income bands that qualify for the employment tax incentive.
3. The Rates Bill dealt with a number of amendments, but this report will focus on the key one, the increase in excise duty on tobacco.

**EXCISE DUTY ON TOBACCO**

1. The Committee received a number of submissions from the tobacco industry calling for a freeze in excise duty increase for the next three years. It was variously submitted that an increase in excise duty leads to an increase in price for consumers of legal tobacco products, driving these consumers to cheaper illegal products and leading to an increase in the availability of illicit products. This, it was submitted, will have a deleterious effect on the legal tobacco industry and affect small and emerging farmers and jobs, as consumers shift to illicit products. This also led to revenue losses of as much as R9 billion per annum as illicit tobacco traders do not pay taxes, it was said. Many submissions were also made during the Medium Term Budget Policy Statement hearings from various tobacco industry organisations/associations.
2. The Committee agrees with National Treasury and SARS that the increase in illicit products is as a result of weak law enforcement and tax administration challenges at SARS. The Committee invited SARS and National Treasury on 19 November 2019 to brief it on illicit tobacco trade and enforcement measures given the easy availability of illicit tobacco in the market. The Committee will focus more on monitoring law enforcement measures on illicit tobacco trade and on SARS capacity in this regard.
3. The Committee calls upon government to expedite its work on taxing other tobacco products such as electronic cigarettes and tobacco heating products. The main issue with tobacco excise is not only revenue, but also health promotion.

**OTHER AMENDMENTS**

1. On personal income tax, the proposals aimed to raise an additional R12,8 billion from not adjusting for inflation, but increasing the primary rebate which affected tax free rebates. The majority of the relief from the 1.1 percent increase in primary rebates went to lower income groups. There was also no increase in medical tax credits in order to assist the funding of National Health Insurance and to provide additional tax revenue. Medical tax credits remained the same per month at R310 for the first two beneficiaries and R209 for additional beneficiaries. The changes were all welcomed.
2. The Committee supports this Bill and asks the House to approve it.

The Democratic Alliance (DA) objects to the Bill

The Economic Freedom Fighters (EFF) abstained from voting on the Bill

Report to be considered