**1. Report of the Standing Committee on Finance on the Disaster Management Tax Relief Administration Bill [B12 - 2020] dated 19 August 2020.**

The Standing Committee on Finance, having considered the **Disaster Management Tax Relief Administration Bill [B12 - 2020]** (National Assembly- section 75), referred to it, reports the Bill with amendments [B12A– 2020] as follows:

1. **INTRODUCTION AND BACKGROUND**
   1. The Disaster Management Tax Relief Administration Bill (DMTRAB), 2020 (commonly referred to as the COVID-19 Tax Administration Bill) was introduced by the Minister of Finance (“the Minister together the special adjustment budget on 24 June 2020. The adjustment budget was promulgated to deal with and minimise the impact of the COVID-19 lockdown and the resultant economic downturn. The ordinary tax administration proposals announced with the 2020 Budget will still be processed through the normal annual tax legislative process.
   2. The first version of the draft DMTRA Bill was published by the Minister on 01 April 2020 to give effect to the exceptional tax relief measures outlined by President Cyril Ramaphosa on 23 March on the Escalation of Measures to Combat COVID-19. The draft Bill initially was to give effect to COVID-19 tax measures with effect from 1 April 2020 and apply for a limited period of four months, ending on 31 July 2020.
   3. On 21 April 2020, President Cyril Ramaphosa addressed the nation announcing further tax measures that aimed at assisting individuals and businesses through the pandemic. The draft Bill was revised and published for public comment on 01 May 2020 by the National Treasury (NT) and the South African Revenue Service (SARS). NT and SARS indicated that the revisions of the 01 May 2020 draft took account of public comments received on the initial draft Bill of 01 April 2020. The measures took effect on 01 May 2020 and apply for a limited period of four months, ending on 31 August 2020.
   4. The DMTRA Bill is an ordinary Bill that must be considered in terms of section 75 of the Constitution, dealing with tax administration issues.
2. **PUBLIC PARTICIPATION**
   1. NT and SARS reported to Parliament that it received a total of 186 written submissions on the COVID-19 Tax Bills. Of these written submissions; 94 were received on the draft Bill that was published for public comment on 01 April, 76 on the revised draft Bills published on 01 May and, 16 further comments on the drafts published on 19 May 2020. Other consultations were conducted through virtual communication, NT and SARS reported. Parliament was also briefed on the draft Bills on 23 April 2020.
   2. After Parliament passed the special adjustment budget in July, the Committee was briefed on the COVID-19 Tax Bills on 14 July and issued a call for public comments. Public hearings were held on 22 July and NT and SARS responded to public comments on 28 July. Five organizations; COSATU, the South African Institute of Chartered Accountants (SAICA), the South African Institute for Tax (SAIT) and, PWC, made oral submission. Written submissions were received from ABSA Bank and Dr Ramola Naidoo.
3. **OVERVIEW OF THE TAX PROPOSALS ON DMTRAB**
   1. The DMTRA Bill contains proposed measures for: the deferral of the payment of employees’ tax liabilities for tax compliant small and medium sized businesses; the deferral of the payment of provisional tax liabilities for tax compliance small to medium sized businesses; the deferral of interim payments by micro-businesses; the adjustment of employees’ tax for donations made through the employer; the fast-tracking of VAT refunds; and, the extension of time periods.
   2. On the deferral of the payment of 35 per cent of employees’ tax liabilities, the proposal sought to alleviate any cash flow burden on small to medium enterprises (businesses with turnover of less than R100 million per annum) for a period of four months, beginning from 01 April and ending on 31 July 2020. Such deferred payments must then be paid over a six-month period of equal instalments beginning from 01 August 2020.
   3. On provisional tax, the proposal is that a portion of the payment of first and second provisional tax liability to SARS be deferred, beginning in 01 April 2020 and ending on 31 March 2021. The first portion will be based on 15 per cent of estimated total tax liability due from 01 April 2020 to 30 September 2020. The second portion will be based on 65 percent due from 01 April 2020 to March 2021. The aim here is also to alleviate cash flow burdens wrought by the COVID-19 pandemic.
   4. For employees making donations to the Solidarity Fund through the employer, a proposal was also made to lessen cash flow constraints for employees, whereby employers can factor in donations of up to 5 per cent of the employees’ monthly salary for PAYE purposes.
   5. On the fast-tracking of VAT refunds, VAT vendors will be permitted to elect to file monthly instead of once every two months, from a period starting from 01 April 2020 and ending on 31 July 2020.
4. **KEY ISSUES RAISED DURING SUBMISSIONS AND PUBLIC HEARINGS** 
   1. The key issues that were raised on the DMTRA Bill were: the definition of a qualifying taxpayer; the deferral of payment of employees’ tax liability for small to medium sized enterprises; and, the extension of time periods.
   2. Definition of a “qualifying taxpayer” in Clause 1
      1. Some submissions received by the Committee on the definition of “qualifying taxpayer” recommended that larger businesses with a turnover of more than R100 million benefit from the relief as well. The Committee however appreciated that the COVID-19 relief was mainly directed at assisting small to medium enterprises with an annual turnover of R100 million or less, excluding VAT. SARS assured the Committee that larger businesses were not per se excluded as they could still apply for case-by-case relief, where their circumstances can be properly considered by SARS. Most of the issues on this definition were dealt with during the initial consultation by NT and SARS on the initial and revised Bills published in April and May.
   3. The deferral of payment of employees’ tax liability for small to medium sized enterprises
      1. Submissions were received for the extension of this deferral. This was agreed to and the amendments are covered below.
   4. **AMENDMENTS** 
      1. The Minister, in his letter to the Committee dated 17 August 2020, requested the Committee to consider amendments to the DMTRA Bill to extend COVID tax relief measures in Clauses 2 by a month, replacing the words/dates; “31 July 2020” with “31 August 2020”, “7 September 2020” with “7 October 2020” and, “5 February 2021” with “5 March 2021”.
      2. The amendments are aimed at allowing tax compliant small to medium sized businesses to defer payment of 35 per cent of employees’ tax they have deducted from employees. The repayments would now only begin in October 2020 and run through until March 2021.
      3. There were other technical cross-referencing amendments to Clause 3 and Clause 4, where the word “subparagraph” was replaced with “subsection”.
5. **CONCLUSION**
   * 1. The Committee was assured by National Treasury that many other measures would be covered in the ordinary tax administration amendment laws to be processed by Parliament with the Medium-Term Budget Policy Statement later in the year.
     2. The Committee reports the Bill, with amendments.

Report to be considered.