



Centre of Excellence: Economy

Draft Tax Amendment Bill

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2021





Overview of Agri SA

ORGANISATIONAL OVERVIEW



- Agri SA is the biggest federation of agricultural organisations in South Africa established in 1904 and consists of provincial affiliates, commodity organisations and corporate members.
- Our vision is to secure an inclusive and prosperous agriculture sector
- Our mission is to promote agriculture in South Africa, to encourage its development and to make it more profitable, stable and sustainable.
- We represent:
 - 16,000 Producers
 - 26 Commodity Organisations
 - 56 Corporate Members



Introduction

- We specifically make submissions in respect of the following proposed amendments to the Income Tax Act No. 58 of 1962 (“the ITA”):
 - Section 20 of the ITA (‘Set-off of assessed losses’).
 - Definition of “contributed tax capital” in section 1 of the ITA.
 - Section 7C of the ITA (‘Loan, advance or credit granted to a trust by a connected person’).
- In addition, we also make submissions in respect of the proposed amendment to Part B of Schedule 2 (as read with section 11(1)(j)) of the Value-Added Tax Act, No. 89 of 1991 (“the VAT Act”) in terms whereof it has been proposed that the schedule will be amended to include super fine maize meal in the list of grades of maize meal that qualify for zero rating.
- Our most critical submission relates to the proposed change to section 20 of the ITA. Paragraph 4.1 sets out how the proposed amendment will negatively impact the agricultural sector and hinder South Africa’s economic recovery and food security. There are various reasons why the proposed change specifically affects the agricultural sector but the two most critical aspects are:
 - The cyclicity of farming; and
 - Farming requiring long-term investment



INCOME TAX

Proposed amendments to sections 20 of the ITA

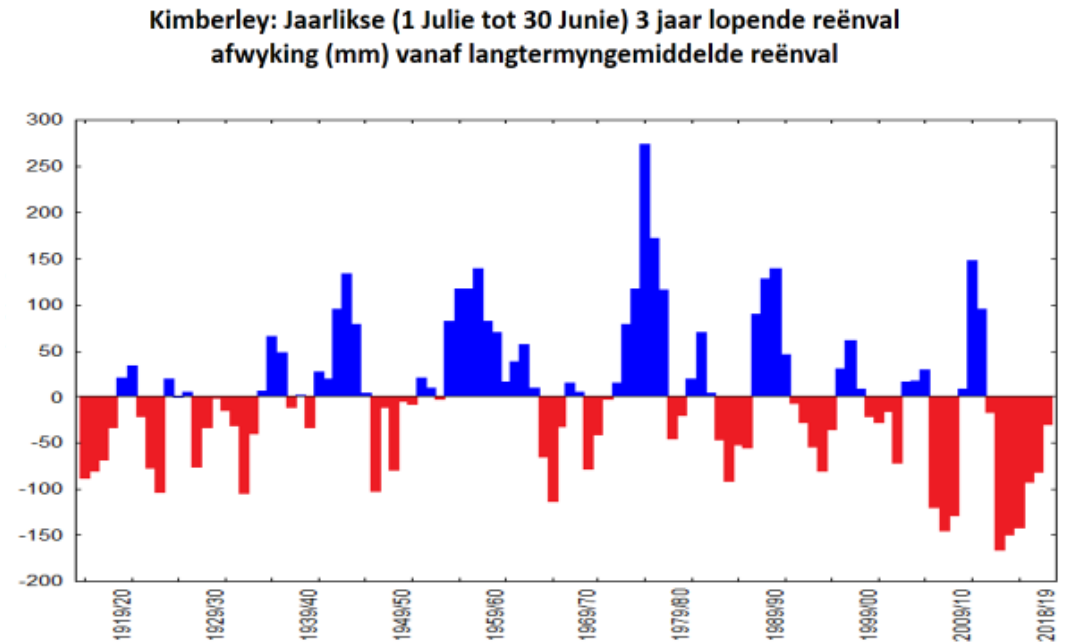
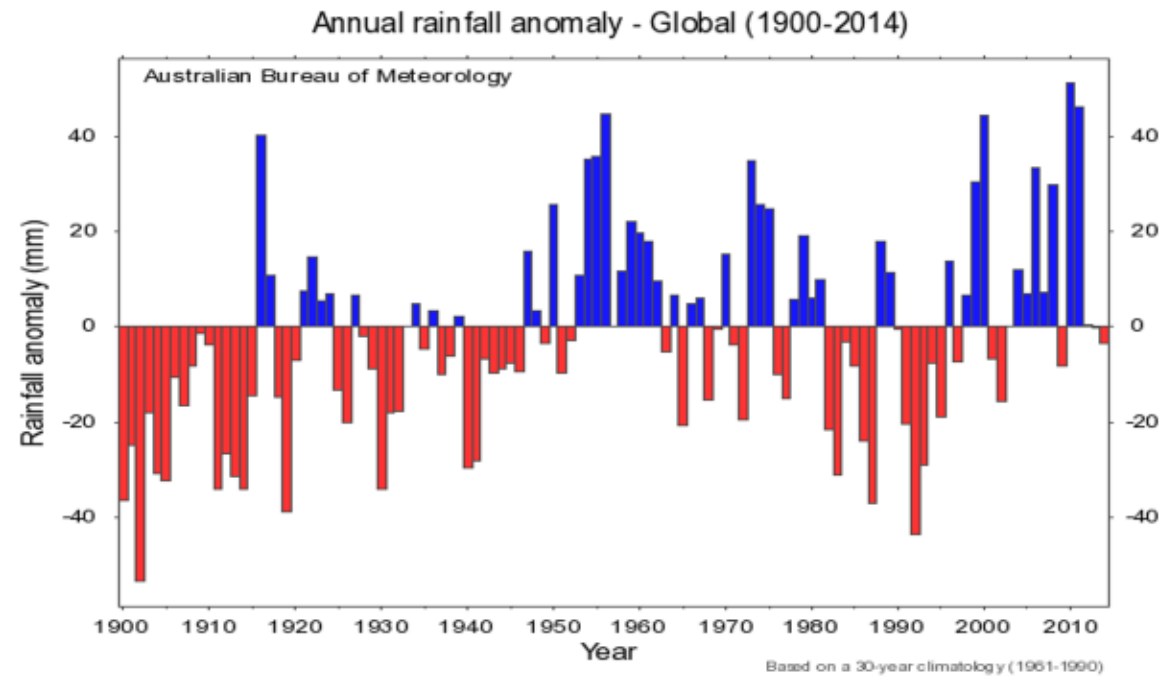
- The National Treasury has proposed amendments to section 20 of the Act to limit the offsetting of accumulated assessed losses carried forward by taxpayer to 80% of the amount of taxable income derived by the taxpayer.
- Per the Draft EM 2021, the proposed amendment has been proposed to *inter alia*, improve the country's competitiveness, reduce the appeal of base erosion and profit shifting, encourage investment and promote economic growth.
- In respect of companies with long lead times between investment and the realisation of profits, the Draft EM 2021 provides that the limitation of offsetting of assessed losses should have a lesser impact than the limitation of the carry forward period to a set number of years.

Recommendations

- The proposed amendment would, in our view, create an undue burden on taxpayers in the agricultural sector, and we recommend that the Proposed Amendment not be implemented.
- Alternatively, we suggest that the National Treasury not forge ahead with this proposed amendment during the current legislative cycle. Greater consultation is required to understand the full impact of this proposed amendment. In this regard, we, as Agri SA, have not had an opportunity to consult extensively with our members and affiliates or to prepare financial models, forecasts, and/or other supporting evidence in respect of the effects of the proposed amendment.
- Further consultation is necessary to clarify the application of the amended section 20 and section 26 of the Act (as read with the First Schedule to the Act).
- As a last resort, we recommend that the proposed amendment to section 20 excludes all companies trading as primary farming companies, which could be linked to VAT registration that is specific to farming operations. However, we note that this may not cover all farming operations carried on in companies as some micro or small business farmers conducting farming through a company may not be registered for VAT.

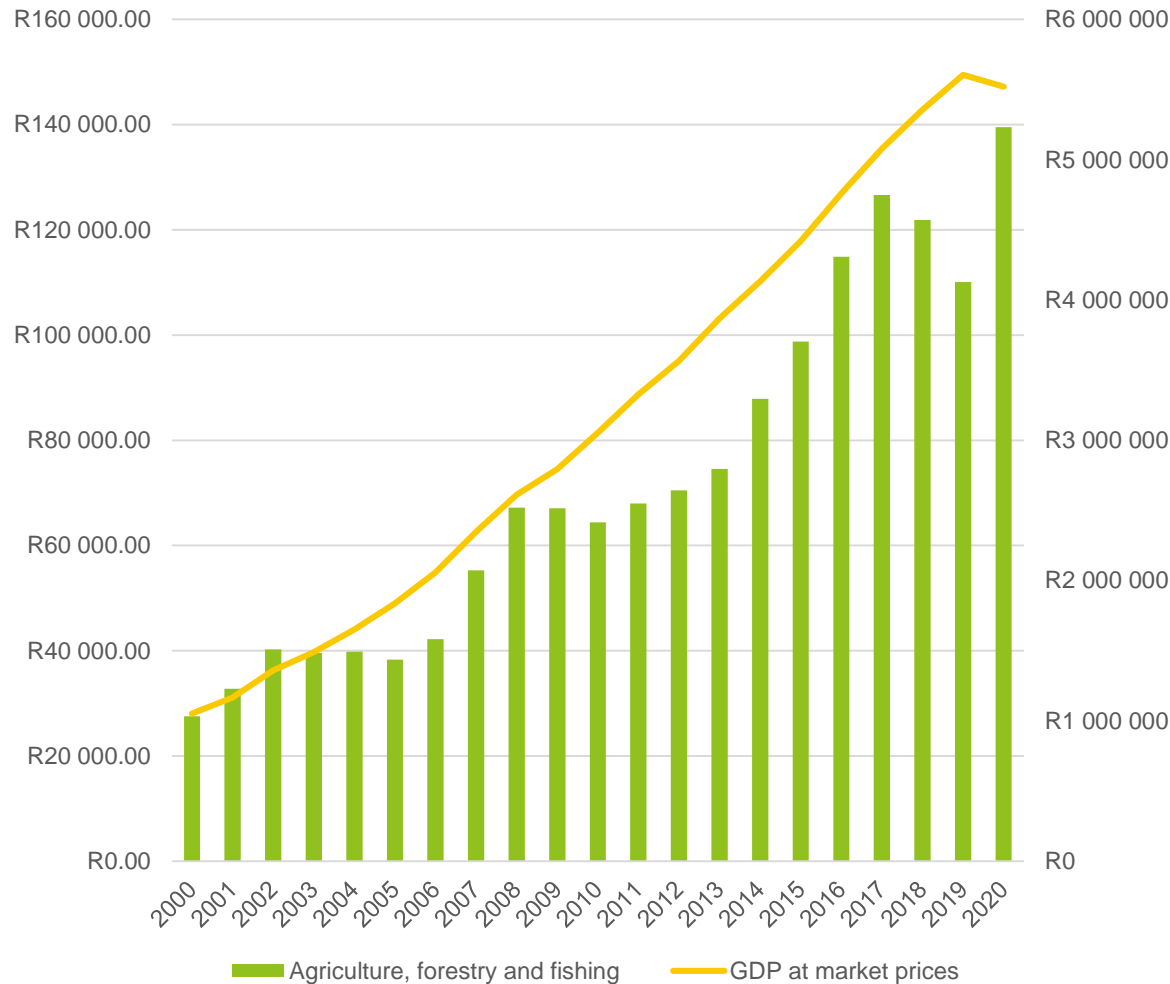


Rainfall

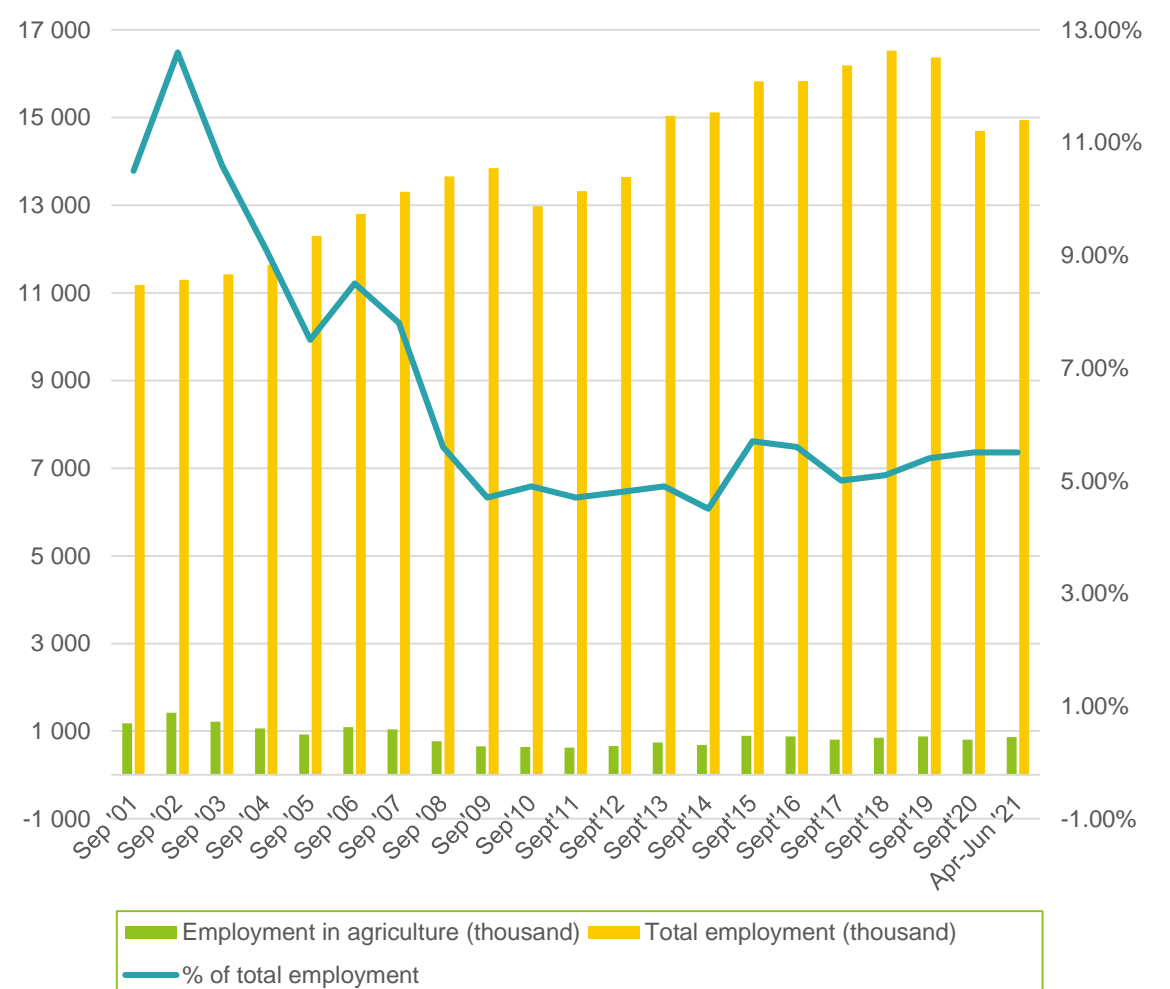




Industry value added and GDP at current prices (R million)

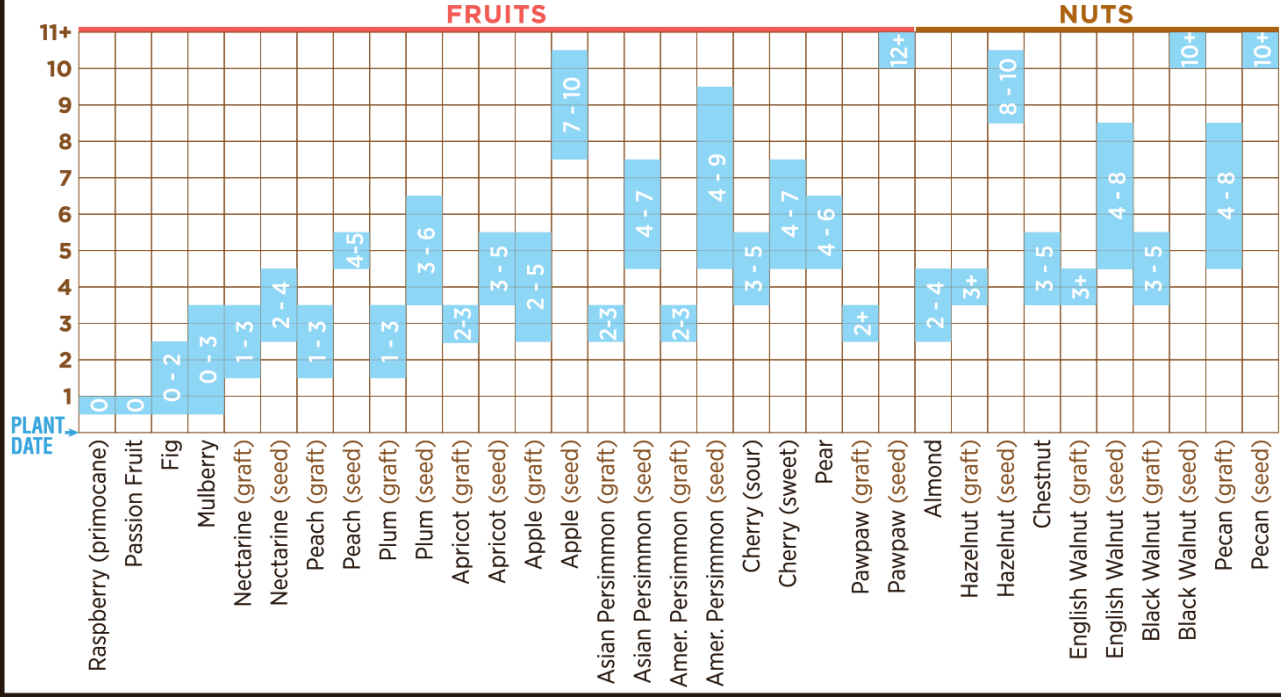


Employment in Agriculture vs Total Employment





FRUIT/NUT TREE: YEARS UNTIL HARVEST

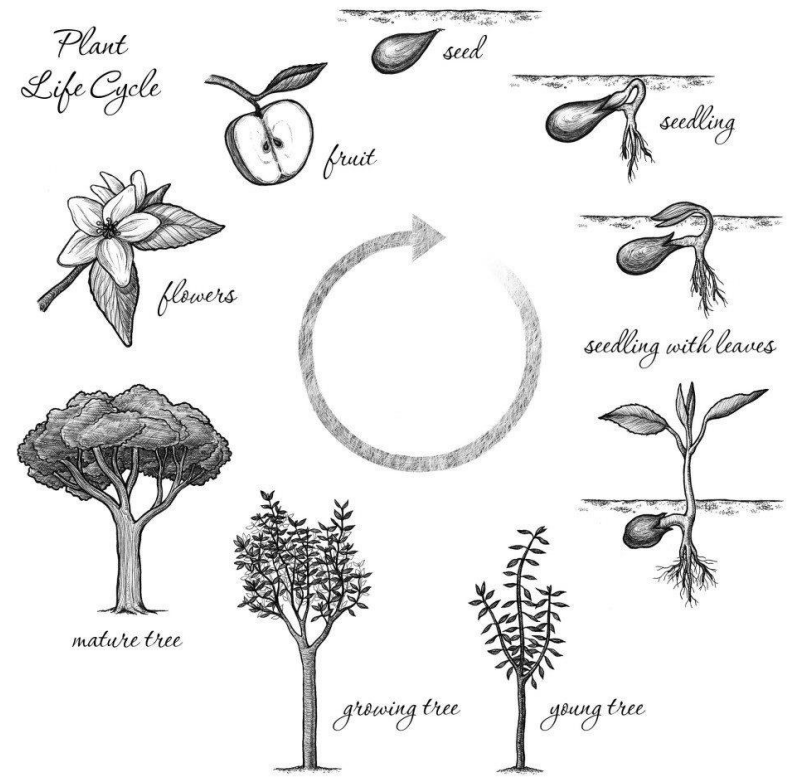


The times listed here are derived from personal experience and multiple sources. These are only estimates. Weather and climate can impact how soon your trees start to fruit.

Trees from a nursery are usually 1 - 2 years old. Many are grafted onto specialized rootstocks. Dwarfing and semi-dwarfing rootstocks often encourage early fruiting.

The upper (scion) fruiting wood may come from matured wood. This may cause fruiting at a younger age. Certain varieties are naturally precocious, meaning that they tend to fruit sooner than other cultivars.

Additional factors that impact fruiting are sunlight and nutrients levels. Select spots that have high light levels. But be careful not to over-fertilize. Doing so may cause excess foliage but no fruit. Trees must be healthy, but slight amounts of stress can help to induce fruiting sooner.





Gross Value of Horticulture and Animal Products (R `000)

Gross Value of Horticulture Products	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Average	2017/18 change from 5 year
Viticulture	R 4,600,114	R 4,757,002	R 4,771,845	R 4,954,198	R 5,572,287	R 5,230,967	R 4,981,069	5.02%
Citrus fruit	R 8,110,832	R 10,340,071	R 12,681,126	R 14,831,228	R 18,001,692	R 19,376,552	R 13,890,250	39.50%
Subtropical fruit	R 2,893,705	R 3,669,934	R 3,894,589	R 4,066,749	R 4,039,031	R 4,277,870	R 3,806,980	12.37%
Deciduous and other fruit	R 12,683,543	R 13,967,065	R 16,377,022	R 20,276,352	R 19,449,328	R 18,233,362	R 16,831,112	8.33%
Dried fruit	R 910,366	R 816,609	R 1,050,078	R 1,223,697	R 1,501,603	R 1,394,061	R 1,149,402	21.29%
Nuts	R 1,369,709	R 1,445,728	R 2,186,715	R 3,447,690	R 3,250,323	R 4,027,443	R 2,621,268	53.64%
Vegetables	R 9,962,598	R 10,841,554	R 11,485,586	R 14,430,124	R 14,950,809	R 15,049,501	R 12,786,695	17.70%
Potatoes	R 5,553,072	R 6,289,785	R 6,365,862	R 7,414,735	R 7,235,321	R 7,555,896	R 6,735,779	12.18%
Flowers and bulbs	R 1,275,507	R 1,325,333	R 1,429,393	R 1,525,505	R 1,621,206	R 1,759,347	R 1,489,382	18.13%
Rooibos tea	R 152,110	R 181,487	R 266,834	R 529,415	R 698,189	R 720,550	R 424,764	69.64%
Tea	R 26,167	R 33,522	R 27,127	R 16,829	R 8,574	R 3,928	R 19,358	-79.71%
Other horticultural products	R 199,381	R 221,846	R 235,142	R 279,557	R 285,507	R 293,566	R 252,500	16.26%
TOTAL HORTICULTURE	R 47,737,104	R 53,889,936	R 60,771,319	R 76,613,870	R 71,923,485	R 77,923,043		
TOTAL FARMING DEBT	R 88,778,900	R 102,507,500	R 116,575,600	R 133,089,100	R 144,981,100	R 158,342,800		
GROSS VALUE TO TOTAL FARMING DEBT	1.86	1.90	1.92	1.74	2.02	2.03		
Gross Value of Animal Products	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Average	2017/18 change from 5 year
Wool	R 2,435,840	R 2,740,676	R 2,774,342	R 3,361,218	R 3,731,763	R 4,379,531	R 3,237,228	35.29%
Mohair	R 285,540	R 464,099	R 506,539	R 614,563	R 507,944	R 679,766	R 509,742	33.35%
Karakul pelts	R 12,581	R 17,103	R 16,771	R 9,408	R 7,142	R 5,548	R 11,426	-51.44%
Ostrich feathers and products	R 276,255	R 341,672	R 432,814	R 529,801	R 399,793	R 321,012	R 383,558	-16.31%
Fowls slaughtered	R 29,158,310	R 32,573,887	R 36,302,283	R 36,186,017	R 40,472,219	R 46,500,860	R 36,865,596	26.14%
Eggs2	R 8,400,652	R 8,882,997	R 9,438,719	R 10,170,589	R 10,272,081	R 12,075,898	R 9,873,489	22.31%
Cattle and calves slaughtered	R 20,495,591	R 22,717,904	R 26,792,372	R 30,686,017	R 33,172,384	R 37,318,286	R 28,530,426	30.80%
Sheep and goats slaughtered	R 4,648,444	R 5,407,051	R 6,626,134	R 6,563,866	R 7,486,776	R 7,802,314	R 6,422,431	21.49%
Pigs slaughtered	R 3,713,738	R 4,264,911	R 4,976,775	R 5,256,743	R 5,793,659	R 6,111,314	R 5,019,523	21.75%
Fresh milk	R 11,131,161	R 12,708,386	R 14,994,234	R 14,196,047	R 16,463,166	R 17,814,543	R 14,551,256	22.43%
Other livestock products	R 5,588,080	R 6,060,993	R 6,192,626	R 7,072,014	R 8,133,533	R 9,486,722	R 7,088,995	33.82%
TOTAL ANIMAL PRODUCTS	R 86,146,192	R 96,179,679	R 109,053,609	R 114,647,183	R 126,170,773	R 142,495,787		
TOTAL FARMING DEBT	R 88,778,900	R 102,507,500	R 116,575,600	R 133,089,100	R 144,981,100	R 158,342,800		
GROSS VALUE TO TOTAL FARMING DEBT	1.03	1.07	1.07	1.16	1.15	1.11		



Total Gross Value and Gross Value of Field Crops Products (R `000)

Gross Value of Field Crops Products	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	5 Year Average	2017/18 Change from 5 Year
Maize	R 25,051,453	R 28,496,153	R 24,859,994	R 26,472,758	R 29,871,077	R 25,490,501	R 26,706,989	-4.55%
Wheat	R 5,474,341	R 5,410,103	R 5,366,216	R 5,456,442	R 7,107,286	R 5,689,105	R 5,750,582	-1.07%
Oats	R 116,427	R 64,189	R 70,268	R 159,740	R 152,241	R 74,343	R 106,201	-30.00%
Barley	R 744,700	R 673,851	R 798,576	R 1,028,546	R 1,190,015	R 866,946	R 883,772	-1.90%
Canola	R 376,040	R 520,888	R 574,750	R 553,350	R 599,239	R 495,550	R 519,970	-4.70%
Grain sorghum	R 455,638	R 800,511	R 329,933	R 278,443	R 459,167	R 378,014	R 450,284	-16.05%
Hay	R 2,977,432	R 3,444,655	R 4,089,150	R 3,384,046	R 4,025,378	R 4,154,101	R 3,679,127	12.91%
Lucerne seed	R 21,323	R 12,952	R 71,779	R 71,617	R 69,120	R 50,803	R 49,599	2.43%
Dry beans	R 798,481	R 1,109,141	R 874,538	R 513,960	R 1,036,290	R 1,002,613	R 889,171	12.76%
Sugar cane	R 6,722,532	R 7,905,610	R 7,704,128	R 6,791,958	R 8,507,959	R 9,084,627	R 7,786,136	16.68%
Chicory root	R 15,294	R 6,085	R 8,425	R 12,580	R 9,980	R 23,668	R 12,672	86.77%
Tobacco	R 518,948	R 481,817	R 587,271	R 626,301	R 726,040	R 784,367	R 620,791	26.35%
Cotton	R 74,564	R 135,834	R 388,380	R 218,192	R 312,483	R 912,298	R 340,292	168.09%
Groundnuts	R 411,168	R 694,087	R 534,486	R 154,473	R 819,928	R 481,541	R 515,947	-6.67%
Sunflower seed	R 2,805,232	R 3,836,829	R 3,138,091	R 4,760,112	R 3,974,305	R 3,798,927	R 3,718,916	2.15%
Soya beans	R 3,680,598	R 5,260,791	R 5,063,106	R 4,598,839	R 6,429,810	R 7,138,806	R 5,361,992	33.14%
Wattle bark	R 136,955	R 157,676	R 163,635	R 207,549	R 95,965	R 197,702	R 159,914	23.63%
Other field crops	R 359,504	R 391,570	R 344,401	R 490,002	R 452,466	R 365,573	R 400,586	-8.74%
TOTAL FIELD CROPS	R 50,740,630	R 59,402,742	R 54,967,127	R 55,778,908	R 65,898,344	R 60,989,485		
TOTAL FARMING DEBT	R 88,778,900	R 102,507,500	R 116,575,600	R 133,089,100	R 144,981,100	R 158,342,800		
GROSS VALUE TO TOTAL FARMING DEBT	1.75	1.73	2.12	2.39	2.20	2.60		
GRAND TOTAL	R 184,623,929	R 209,472,357	R 224,792,055	R 243,427,048	R 268,682,987	R 281,408,315		
TOTAL FARMING DEBT	R 88,778,900	R 102,507,500	R 116,575,600	R 133,089,100	R 144,981,100	R 158,342,800		
GROSS VALUE TO TOTAL FARMING DEBT	0.48	0.49	0.52	0.55	0.54	0.56		



Producer support (PSE), % of gross farm receipts, 2000 – 2020

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Argentina	0.38	-0.13	-21.5	-24.77	-31.38	-24.49	-27.74	-27.61	-51.14	-41.96	-28.03	-42.66	-35.49	-38.38	-46.05	-30.88	-11.47	-10.26	-25.4	-28.79	-18.8		
Australia	3.3	3.28	4.74	3.69	3.41	3.65	4.45	4.86	4.46	3.13	2.97	3.2	2.03	2.23	1.9	1.8	1.7	2.69	2.41	3.32	1.68		
Brazil	9.08	6.13	7.69	9.37	6.85	8.77	7.72	7.18	5.4	7.86	6.41	6.86	5.37	3.36	2.8	2.4	3.55	2.18	1.77	1.5	1.35		
Canada	17.7	14.55	18.57	22.21	18.6	19.39	18.69	15.95	12.73	15.56	14.98	13.73	12.59	9.19	7.94	7.77	9.4	7.65	7.52	8.66	9.57		
Chile	9.74	5.37	6.93	4.68	4.37	4.36	3.96	3.59	2.69	3.79	2.73	2.8	3.06	2.79	2.86	2.98	2.57	2.91	2.57	2.68	2.58		
China (People's Republic of)	3.52	4.66	7.18	8.69	6.75	8.02	12.23	11.53	4.5	11.3	12.68	9.36	14.27	15.25	14.94	16.07	15.56	14.98	12.97	12.3	12.17		
Colombia	21.93	22.64	27.07	14.86	16.24	19.91	16.11	18.24	18.82	22.6	20.34	18.79	21.64	20.7	17.05	15.33	14.43	10.6	13.55	12.52	13.32		
Costa Rica	7.62	7.43	8.64	6.2	5.23	5.62	7.22	4.56	5.95	7.22	11	12.43	8.16	8.06	6.96	9.5	7.5	5.04	5.05	6.87	7.1		
European Union	30.33	28.2	30.83	31.13	30.48	28.58	27.31	22.32	20.6	22.61	19.33	17.75	18.99	19.53	17.27	18.77	19.58	18.88	19.66	19.48	19.33		
Iceland	66.05	60.95	65.07	64.01	66.65	67.14	64.15	53.26	50.75	48.41	44.34	43.82	44.97	41.45	50.5	57.15	59.69	58.78	57.34	57.62	57.22		
India	1.79	-3.51	-5.07	-6	-13.14	-12.35	-12.95	-18.96	-17.49	-9.8	-14.77	-25.61	-22.42	-25.97	-12.96	-3.6	-7.09	-3.13	-6.85	-4.76	-7.62		
Indonesia	6.23	3.26	12.2	11.68	8.52	3.42	15.19	14.92	-11.15	5.38	21.28	14.62	17.37	21.27	24.14	26.26	25.41	25.53	21.95	21.18	20.16		
Israel	21.72	20.85	15.11	11.16	8.78	10.09	6.22	1.51	14.48	13.12	12.61	11.9	6.52	6.8	10.59	14.25	16.46	16.11	16.56	16.79	21.41		
Japan	55.75	52.56	52.47	52.52	49.32	48.96	47.32	43.15	43.86	43.8	49.17	45.73	49.02	44.5	41.03	37.62	41.22	41.84	41.25	41.16	40.93		
Kazakhstan	11.21	2.38	12.4	-8.95	-0.15	14.05	12.94	3.76	2.42	12.79	8.04	11.03	12.59	11.51	4.43	11.34	-2.62	3.02	3.13	6.96	3.14		
Korea	59.75	48.4	49.93	47.52	54.78	55.6	54.83	51.54	45.1	50.25	45.22	48.91	45.14	43.95	42.64	46.54	43.28	46.54	48.3	44.1	47.58		
Mexico	25.96	21.11	28.65	20.71	14.39	15.77	13.58	13.99	13.07	12.89	13.73	13.43	12.8	10.33	10.54	10.92	8.96	9.83	10.6	10.09	9.58		
New Zealand	0.35	0.57	0.62	0.9	0.76	1.4	0.95	0.71	0.51	0.34	0.63	0.83	0.69	0.59	0.7	0.64	0.81	0.49	0.47	0.68	0.97		
Norway	67.48	65.97	73.34	70.93	66.38	66.77	64.12	53.61	57.01	61.33	60.15	56.88	58.97	56.69	58.97	59.39	60.68	58.94	61.63	56.89	50.92		
OECD - Total	30.13	26.89	28.12	26.97	26.96	25.86	23.99	20.1	19.06	20.81	19.2	17.76	18.23	16.9	16.36	16.97	17.86	16.97	17.72	18.72	18.07		
Philippines	23.65	22.18	20.42	11.85	13.53	15.66	20.98	19.51	17.26	21.39	22.42	18	23.06	27.17	28.25	26.97	26.5	25.63	28.2	27.48	26.93		
Russia	2.4	9.94	9.04	13.81	19.47	12.81	14.21	14.75	19.55	20.17	19.87	11.95	13.54	18.93	11.29	12.72	12.36	11.66	11.47	9.03	6.68		
South Africa	5.71	4.19	10.79	7.16	8.76	6.95	9.35	5.49	3.79	3.29	1.92	2.54	3.43	3.31	3.24	4.96	2.35	3.38	4.68	2.97	2.76		
Switzerland	67.84	63.53	67.77	67.08	64.95	64.09	62.66	51.26	49.18	52.84	49.8	45.34	47.25	45.65	51.87	55.1	55.35	51.08	47.94	46.86	51.86		
Turkey	31.39	16.18	25.24	30.89	29.74	28.41	30.83	24.89	26.89	27.63	30.18	24.92	23.38	20.92	26.15	26.4	29.98	23.5	16.14	14.88	19.55		
Ukraine	-0.69	3.87	-1.89	-0.02	0.47	8.78	9.04	1.72	-2.56	6.94	5.25	-3.64	-0.24	-0.02	-1.44	0.54	-1.45	-0.81	2.1	2.96	1.38		
United Kingdom																				20.07	20.73	20.27	20.36
United States	21.38	20.2	16.79	14.29	15.45	14.65	10.83	10.23	8.3	9.42	7.97	7.51	7.88	6.7	8.73	8.94	9.14	8.25	10.55	14.42	11.03		
Viet Nam	7.37	12.91	-3.27	10.07	8.69	7.97	6.04	-1.38	-26.1	11.72	8.81	4.51	7.1	2.34	-1.6	-2.44	-4.52	-0.09	-11.13	-10.35	-6.04		



Thank You

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