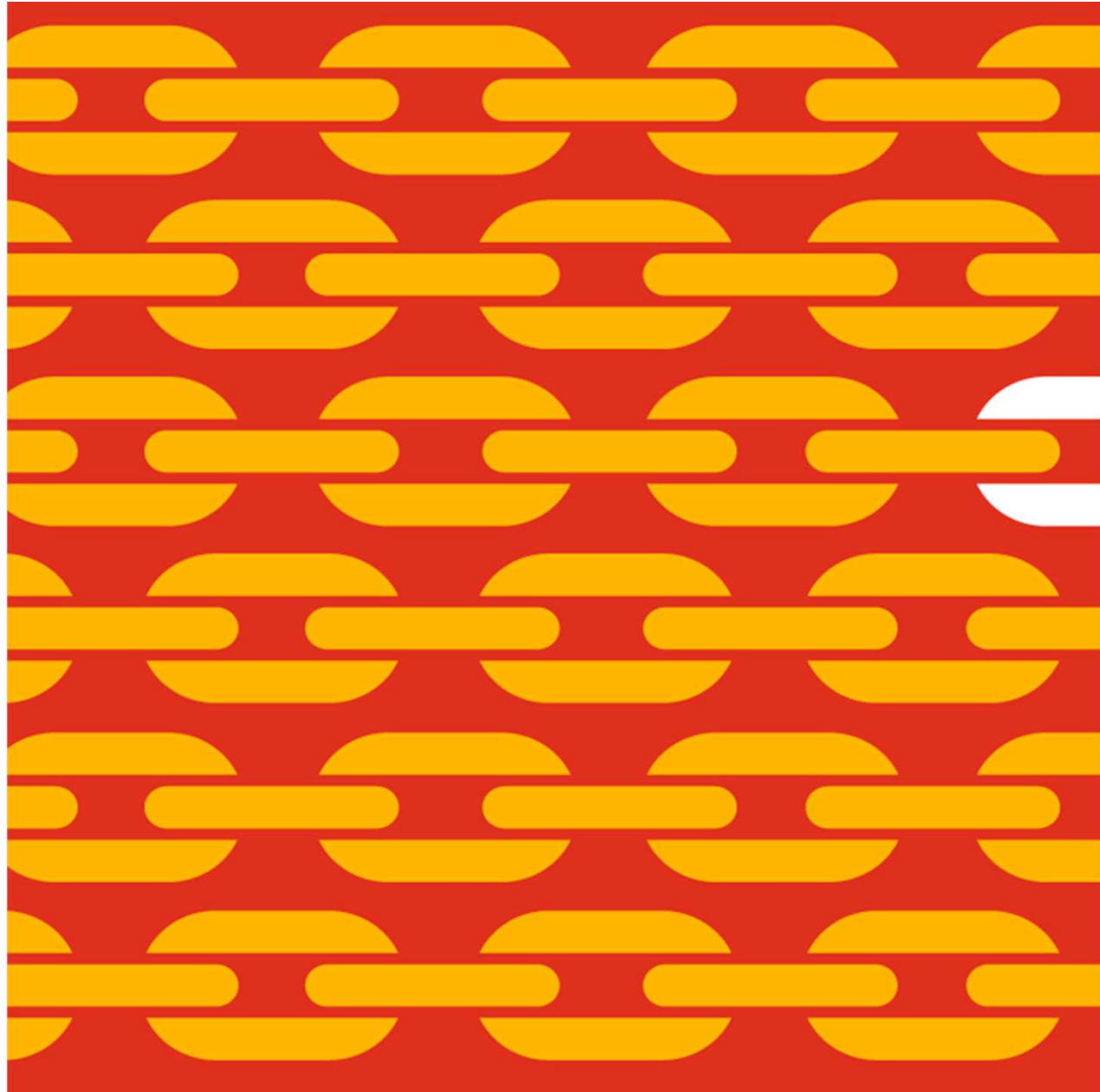


# 2022 Draft Taxation Laws Amendment Bill and Revenue Laws Amendment Bill

Presentation to Standing Committee of Finance  
14 September 2022



# Proposed amendments

## Contributed Tax Capital (CTC)

- What is CTC?
- CTC pro-rated between shareholders before each distribution
- Dividend vs return of capital - different tax treatment
- Mischief NT seeks to address – mismatched distributions to shareholders (dividend vs return of capital)
- 2021 TLAA rule - all shareholder must receive proportional distribution of CTC
- Concerns related to distributions of CTC for disposals of shares (i.e. share buy-backs & redemptions)
- 2022 TLAB proposed rule - refines 2021 rule by requiring distributions within 91 days before or after CTC distribution to include CTC
  - Doesn't fully address concerns with buy-backs / redemptions
  - Creates potential opportunities for mischief (undermines purpose) and anomalies
- Retain 2021 rule, but exclude buybacks and redemptions of shares



# Proposed amendments

## Carbon Tax

- Headline tax rate to increase to US\$20 in 2026 and US\$30 in 2030 (currently +-US\$8.50)
- Effective tax rates as low as 5% of headline tax rate due to allowances
- Lack of certainty on future effective tax rates:
  - Future of allowances (basic tax-free allowance, trade exposure allowance)
  - Carbon budget alignment from 2023
  - Electricity price neutrality (pass-through of carbon costs from 2026)
- Revenue recycling
  - Crucial in original economic modelling
  - 2021/22 revenues +-R3.5 billion
  - Revenues likely to increase substantially in future
  - Lack of transparency on how revenues recycled
  - Critical that revenues recycled back to economy (ideally as support to business)

