

FURTHER TAX MEASURES TO PROVIDE SUPPORT

Extract from a statement by the Minister of Finance - published on 23 April 2020

The measures below will be given legal effect in terms of changes to the Draft Disaster Management Tax Relief Bill and the Draft Disaster Management Tax Relief Administration Bill.

The draft bills will be published for public comment on the National Treasury (www.treasury.gov.za) and SARS (www.sars.gov.za) websites by 30 April 2020

Interventions for businesses

- **Skills development levy holiday:** From 1 May 2020, there will be a four-month holiday for skills development levy contributions (1 per cent of total salaries) to assist all businesses with cash flow. This provides relief of around R6 billion.
- **Fast-tracking of value-added tax (VAT) refunds:** Smaller VAT vendors that are in a net refund position will be temporarily permitted to file monthly instead of once every two months, thereby unlocking the input tax refund faster and immediately helping with cash-flow. SARS is working towards having its systems in place to allow this in May 2020 for Category A vendors that would otherwise only file in June 2020.
- **Three-month deferral for filing and first payment of carbon tax liabilities:** The filing requirement and the first carbon tax payment are due by 31 July 2020. To provide additional time to complete the first return, as well as cash flow relief in the short term, and to allow for the utilisation of carbon offsets as administered by the Department of Mineral Resources and Energy, the filing and payment date will be delayed to 31 October 2020, providing cash flow relief of close to R2 billion.
- **A deferral for the payment of excise taxes on alcoholic beverages and tobacco products:** Due to the restrictions on the sale of alcoholic beverages and tobacco products, payments due in May 2020 and June 2020 will be deferred by 90 days for excise compliant businesses to more closely align tax payments through the duty-at-source system (excise duties are imposed at the point of production) with retail sales. This is expected to provide short term assistance of around R6 billion.
- **Postponing the implementation of some Budget 2020 measures:** The 2020 Budget announced measures to broaden the corporate income tax base by (i) restricting net interest expense deductions to 30 percent of earnings; and (ii) limiting the use of assessed losses carried forward to 80 percent of taxable income. Both measures were to be effective for years of assessment commencing on or after 1 January 2021. These measures will be postponed to at least 1 January 2022.

- **An increase in the expanded employment tax incentive amount:** The first set of tax measures provided for a wage subsidy of up to R500 per month for each employee that earns less than R6 500 per month. This amount will be increased to R750 per month at a total cost of around R15 billion.
- **An increase in the proportion of tax to be deferred and in the gross income threshold for automatic tax deferrals:** The first set of tax measures also allowed tax compliant businesses to defer 20 percent of their employees' tax liabilities over the next four months (ending 31 July 2020) and a portion of their provisional corporate income tax payments (without penalties or interest). The proportion of employees' tax that can be deferred will be increased to 35 percent and the gross income threshold for both deferrals will be increased from R50 million to R100 million, providing total cash flow relief of around R31 billion with an expected revenue loss of R5 billion.
- **Case-by-case application to SARS for waiving of penalties:** Larger businesses (with gross income of more than R100 million) that can show they are incapable of making payment due to the COVID-19 disaster, may apply directly to SARS to defer tax payments without incurring penalties. Similarly, businesses with gross income of less than R100 million can apply for an additional deferral of payments without incurring penalties.

Interventions for Individual Taxpayers

- **Increasing the deduction available for donations to the Solidarity Fund:** The tax-deductible limit for donations (currently 10 percent of taxable income) will be increased by an additional 10 percent for donations to the Solidarity Fund during the 2020/21 tax year.
- **Adjusting pay-as-you-earn for donations made through the employer:** Employers can factor in donations of up to 5 percent of an employee's monthly salary when calculating the monthly employees' tax to be withheld. An additional percentage that can be factored in of up to 33.3 percent, depending on the employee's circumstances, will be provided for a limited period for donations to the Solidarity Fund. This will lessen cash flow constraints for employees who donate to the Solidarity Fund.
- **Expanding access to living annuity funds:** Individuals who receive funds from a living annuity will temporarily be allowed to immediately either increase (up to a maximum of 20 percent from 17.5 percent) or decrease (down to a minimum of 0.5 percent from 2.5 percent) the proportion they receive as annuity income, instead of waiting up to one year until their next contract "anniversary date". This will assist individuals who either need cash flow immediately or who do not want to be forced to sell after their investments have underperformed.