

South Africa's Minister of Finance delivers 2020 Supplementary Budget review

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On 24 June 2020, South Africa's Minister of Finance, Tito Mboweni, delivered the 2020 Supplementary Budget review (the Review).

Key tax highlights from the Review include:

- ▶ The expectation is that tax revenue collections for 2020/21 will be R304.1 billion (21%) lower than the initial 2020 Budget estimate (R1.425 trillion). Revenue shortfalls are said to include tax relief measures (R26 billion) in foregone revenue implemented as part of the COVID-19 relief packages and the expectation that the tax base will temporarily shrink as businesses close and jobs are lost.
- ▶ No new tax measures/tax increases were presented in the Supplementary Budget. However, moderate future tax increases were proposed. Future tax increases are expected to be R5 billion in 2021/22, R10 billion in 2022/23, R10 billion in 2023/24 and R15 billion in 2024/25. The 2020 Medium Term Budget Policy Statement (expected in October 2020) will revisit these projections, and the Minister of Finance will announce tax policy proposals in the February 2021 Budget.
- ▶ Additional tax revenue is expected to come from improved tax collection as "enforcement is strengthened to enhance compliance." It was noted that the South African Revenue Service will aim to increase tax receipts by:

- Focusing on international taxes, particularly aggressive tax planning using transfer pricing.
 - Increasing enforcement to eliminate syndicated fraud related to value-added tax refunds and import valuations.
 - Expanding the use of third-party data to find non-compliant taxpayers.
 - Improving the collection of debt due to the fiscus and ensuring that outstanding taxpayer returns are filed and liabilities paid.
- The Draft Disaster Management Tax Relief Bill and the Draft Disaster Management Tax Relief Administration Bill were published and tabled for consideration. These bills will be enacted in Parliament later this year and include the following COVID-19 tax relief measures:
- An increase in the employment tax incentive by a maximum of R750 per month for eligible employees and a further incentive per month for all other employees up to a maximum of R750 who earn less than R6,500 per month from 1 April 2020 to 31 July 2020.
 - A 35% deferral of employees' tax liabilities (pay-as-you-earn) for businesses with a gross income of up to R100 million for four months from 1 April 2020.
 - A 35% deferral of the first provisional tax payments to be made between 1 April 2020 and 30 September 2020, and a 35% deferral of the second provisional tax payment to be made between 1 April 2020 and 31 March 2021 for businesses with a gross income of less than R100 million.
 - A four-month exemption in the skills development levy from 1 May 2020.
 - A 90-day deferral for payments of alcohol and tobacco excise duties from 1 May 2020.
 - A three-month postponement of the filing and payment date for carbon tax liabilities to 31 October 2020.
 - Postponement of measures to broaden the corporate income tax base (restricting net interest expense deductions and limiting the use of assessed losses carried forward) to at least 1 January 2022.
 - A four-month 10% increase in the available tax deduction for donations made to the Solidarity Fund from 1 April 2020.
 - Consideration of applications to the South African Revenue Service, on a case-by-case basis, to defer tax liabilities without penalty if the business can show it is incapable of making payment due to the pandemic.

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