

South Africa issues 2020 Medium Term Budget Policy Statement: Tax highlights

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South Africa's Minister of Finance delivered the 2020 Medium Term Budget Policy Statement on 28 October 2020.

Key tax highlights from the reading include:

- ▶ No new tax proposals were introduced. The Government continues to project R5 billion (b) of tax increases in 2021/22.
- ▶ The current year's tax revenue is projected to be R8.7b lower than the June budget estimate. Gross tax revenue will be 17.9% lower than collections in 2019/20 (representing a R312.8b shortfall against the 2020 Budget forecast).
- ▶ Government spending remains too high for the tax base with the 2020 recession partly driving this gap.
- ▶ Improved tax collection and administration continue to be essential to fiscal consolidation. No additional funding was earmarked for the tax administration to rebuild its capacity.
- ▶ The near-term objectives for the tax administration include:
 - Finalizing a tax gap study in December 2020
 - Focusing on international taxes, particularly aggressive transfer pricing
 - Increasing enforcement to eliminate syndicated fraud and tax crimes

- Continuing to leverage third-party data to identify noncompliant taxpayers
- Greater compliance enforcement of PAYE (Pay As You Earn) and Value Added Tax
- ▶ There are no changes to the caps previously announced in the June budget for tax revenue increases over the next four years.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Advisory Services (Pty) Ltd., Business Tax Services, Durban

- ▶ Candice Van Den Berg candice.vandenberg@za.ey.com

Ernst & Young Advisory Services (Pty) Ltd., International Tax and Transaction Services, Johannesburg

- ▶ Ekow Eghan ekow.eghan@za.ey.com

Ernst & Young Société d'Avocats, Pan African Tax - Transfer Pricing Desk, Paris

- ▶ Bruno Messerschmitt bruno.messerschmitt@ey-avocats.com
- ▶ Alexis Popov alexis.popov@ey-avocats.com

Ernst & Young LLP (United Kingdom), Pan African Tax Desk, London

- ▶ Byron Thomas bthomas4@uk.ey.com

Ernst & Young LLP (United States), Pan African Tax Desk, New York

- ▶ Brigitte F Keirby-Smith brigitte.f.keirby-smith1@ey.com
- ▶ Dele Olagun-Samuel dele.olaogun@ey.com

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