
MEDIA STATEMENT

Publication of the 2019 Budget Draft Tax Bills for public comment

The National Treasury and the South African Revenue Service (SARS) today publish, for public comment, the 2019 Draft Taxation Laws Amendment Bill (Draft TLAB) and the 2019 Draft Tax Administration Laws Amendment Bill (Draft TALAB). The public is also invited to submit any comments on the 2019 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (Draft Rates Bill), which was first published on Budget Day (20 February 2019). All these bills will be tabled in Parliament after revising the bills to take account of public comments received, as well as any recommendations made following hearings on the draft bills in Parliament.

The Draft Rates Bill contains tax announcements made in Chapter 4 and Annexure C of the 2019 Budget Review that deal with changes to the rates and monetary thresholds and increases of the excise duties. The 2019 Draft Rates Bill is today published for the second time in order to solicit public comments on the tax proposals contained therein.

The 2019 Draft TLAB and the 2019 Draft TALAB provide the necessary legislative amendments required to implement the more complex tax announcements made in Chapter 4 and Annexure C of the 2019 Budget Review (and not dealing with a simple change in a rate or threshold of a tax) that will require greater consultation with the public.

In addition to considering the comments and submissions received, National Treasury and SARS will also engage with stakeholders through workshops that are normally held after the receipt of written comments on the draft bills. The Standing and Select Committees on Finance in Parliament are expected to make a similar call for public comment, and convene public hearings on these draft bills before their formal introduction in Parliament. Thereafter, a response document on the comments received will be presented at the parliamentary committee hearings, after which the bills will then be revised, taking into account public comments and recommendations made during committee hearings, before they are tabled formally in Parliament for its consideration.

A first batch of the 2019 Draft TLAB (initial batch) was published on 10 June 2019 containing two specific amendments that are more urgent and require further public consultation. The specific amendments included addressing abusive arrangements aimed at avoiding the anti-dividend stripping provisions as well as aligning the effective date of tax neutral transfers between retirement funds with the effective date of annuitisation for provident funds, which is 1 March 2021. The 2019 Draft TLAB, which is published today, includes these two proposals with further amendments that have arisen from public comments received on the initial batch.

For legal reasons, the draft tax amendments that do not relate to changes to rates and monetary thresholds continue to be split into two bills, namely a money bill (section 77 of the Constitution) dealing with money bill issues and an ordinary bill (section 75 of the Constitution) dealing with issues relating to tax administration.

The 2019 Draft Rates Bill gives effect to the following key tax proposals announced in the 2019 Budget Review:

- Changes in rates and monetary thresholds to the personal income tax tables
- Adjustments to the eligible income bands that qualify for the employment tax incentive
- Increases of the excise duties on alcohol and tobacco

The 2019 Draft TLAB gives effect to the following key tax proposals announced in the 2019 Budget Review:

- Aligning the effective date of tax neutral transfers between retirement funds with the effective date of annuitisation for provident funds
- Adjusting the withholding tax treatment of surviving spouses' pensions to limit tax debts on assessment
- Addressing abusive arrangements aimed at avoiding the anti-dividend stripping provisions
- Clarifying the interaction between corporate reorganisation rules and other provisions of the Income Tax Act
- Refining the tax treatment of long-term insurers
- Refining investment criteria and anti-avoidance measures for the Special Economic Zone regime
- Limiting the allowable deduction for investors investing in a venture capital company
- Reviewing the controlled foreign company comparable tax exemption and addressing the circumvention of the anti-diversionary rules

- Reviewing section 72 of the VAT Act

The 2019 Draft TALAB gives effect to the following key tax proposals:

- Removal of requirement to submit a declaration to a regulated intermediary in respect of tax free investments
- Authorisation for the Commissioner to prescribe rules relating to the making of advance foreign currency payments
- Alignment of time limitations on requesting refunds
- Model mandatory disclosure rules and non-compliance penalties
- Tax compliance certificates

The 2019 draft bills, the 2019 Draft Explanatory Memorandum containing a comprehensive description of the proposed tax amendments contained in the 2019 Draft TLAB and the 2019 Draft Memorandum on the Objects of the 2019 Draft TALAB can be found on the National Treasury (www.treasury.gov.za) and SARS (www.sars.gov.za) websites. More general information underlying the changes in rates, thresholds or any other amendments to specific taxes can be found in the Budget Review, available on the above treasury website.

Due date for public comments

National Treasury and SARS hereby invite comments in writing on the 2019 Draft Rates Bill, the 2019 Draft TLAB and 2019 Draft TALAB. Please forward written comments to the Treasury's tax policy depository at 2019AnnexCProp@treasury.gov.za and Adele Collins at acollins@sars.gov.za by close of business on **23 August 2019**.

ISSUED BY NATIONAL TREASURY ON 21 JULY 2019