Being a Professional Accountant (SA) isn’t just about the title, it’s about using over 35 years of experience to make meaningful contributions to your career.

Tax Update – 2019
Budget Speech Summary

2019
CONTENTS – 2019 BUDGET

1. Economy
2. VISA amendments
3. State-owned enterprises
4. Tax proposals
▪ South Africa’s GDP growth forecast for 2019 is 1.5%.
▪ The IMF projection for global growth is 3.5% in 2019.
▪ The IMF project Nigeria to grow by 2%.

Investment in the economy has persistently declined over the last 13 years reaching an all-time low of 17.7% in the third-quarter 2018.

Headline inflation decreased from 5.3% in 2017 to 4.7% in 2018 – lower food prices and services inflation offset high petrol prices in the second half of 2018.

Net employment increased by 225 000 in 2018.
VISA AMENDMENTS

The requirement of unabridged birth certificates for children traveling from certain countries to be waived and will be gazetted in 2019.

Revised requirements for business visas to be revised and clarified.

An e-visa system will be launched with New Zealand as the pilot case.

It will then be rolled out to other countries. It is noted that Kenya’s rollout of e-visas has boosted tourism.

The scarce skills list updated by March 2019.
STATE-OWNED ENTERPRISES

Government to support Eskom with amounts of R23 billion per year over the medium term to allow it to service its debts and meet redemption requirements.

Government to tightened guarantee rules for state-owned enterprises when they apply for a government guarantee. A Chief Reorganisation Officer (CRO) to be appointed in concurrence with National Treasury and its bondholders. The CRO to undertake a full operational and financial review of the SOE.

In addition, government to end issuing of guarantees for operational purposes.
TAX COLLECTIONS

Total tax collections for 2018/19 is estimated to be R1.3 trillion.

The revenue shortfall for 2018/19 is R42.8 billion.

The reasons for the shortfall are as follows:

▪ Economic weakness has fed through to lower personal income tax and corporate income tax receipts.
▪ Administrative weaknesses in collection.
TAX COLLECTIONS

Government expects to collect R1.422 trillion in the tax-year February 2020.

The new tax measures for the 2019 Budget are designed to provide additional revenue of R15 billion.

R13.8 billion will come from personal income tax and R1.2 billion will come from indirect taxes.

Government expects R1.8 billion from carbon tax and loses R1.1 billion in revenue on the additional items zero-rated.
Increasing the tax-free threshold for personal income taxes from R78 150 to R79 000.

No changes will be made to personal income tax brackets implying that there will be no adjustment for inflation.

No inflationary increases to the medical tax credits.

The tax credit will be the same for the tax-year ending February 2019 and the tax-year ending February 2020.
TAX PROPOSAL – MEDICAL CREDIT

R310 per month in respect of taxpayer, or

R620 per month in respect of taxpayer plus one dependant, and

R209 per month in respect of each additional dependant.
Increasing the fuel levy by 29c/litre, consisting of a 15c/litre increase in the general fuel levy.

A 5c/litre increase in the Road Accident Fund (RAF) levy.

The introduction of a carbon tax on fuel of 9c/litre (with effect from 1 June 2019).

Sugar tax - implemented on 1 April 2018 – 2.1 cents per gram for every gram of sugar beyond the first 4 grams, which is levy-free. This will increase to 2.21 cents per gram in excess of 4 grams of sugar per 100ml from 1 April 2019.
Excise duties on alcohol and tobacco will be increased, as follows:

1. The excise duty on a can of beer goes up by 12 cents to R1.74
2. A 750ml bottle of wine will have an excise duty of R3.15, which is 22 cents more
3. The duty on a 750ml bottle of sparkling wine goes up by 84 cents to R10.16
4. The duty on a bottle of whiskey will go up by R4.54 to R65.84
TAX PROPOSAL – SIN TAXES

5. A pack of 20 cigarettes goes up by R1.14 cents to R16.66
6. The excise duty on a typical cigar will go up by about 64 cents to R7.80
7. There will be no change to the excise duty on sorghum beer
8. Fuel levies will increase by 29 cents per litre for petrol and 30 cents per litre for diesel
Improvement on collection of taxes hinges on restoring the efficiency of SARS.

In the short-term, such improvements may be more effective in raising revenue than further substantial tax increases in tax rates.

The following tasks are undertaken to improve on SARS administration:
TAX PROPOSAL – SARS ADMINISTRATION

1. The commencement of the recruitment process for a new SARS Commissioner.

2. The re-establishment of the division that will focus on large businesses. This process, which includes the recruitment of specialists, is expected to be completed by April 2019.

3. In August 2018, the Illicit Economy Unit was launched to investigate syndicated tax evasion schemes in high-risk sectors, including the tobacco trade.

4. This unit has also begun to investigate potential tax-related offences in relation to some of the activities highlighted by various commissions of inquiry.
5. Active steps taken to strengthen the management of its information technology systems.

6. SARS is reviewing contracts that breached public procurement regulations and will act to recover funds spent.
CONTENTS – INCOME TAX: PRE-BUDGET

1. Amendment to Medical scheme fees Section 6A: inclusion of Section 3A – contributions shared by the taxpayer
2. Section 11 deductions in respect of contributions to retirement funds - `new’ treatment of capital gains tax
3. Loans from employer to low income earning employee for acquisition of immovable property
4. Tax treatment of doubtful debts if IFRS 9 is not applied
5. Tax treatment of doubtful debts when applying IFRS 9
6. Venture Capital Company – Section 12J
7. Small business funding
8. Employment Tax Incentive
9. Use of foreign trusts and Controlled Foreign Companies - section 25B
10. Exemption of foreign dividends Section 10B ((2) (a) – a clarification
11. Foreign Employment Income – Section 10(1) (o) (ii) – special update
12. Calculation of the amount of interest – Section 7D
13. Time of accrual of interest payable by SARS – section 7E
14. Deduction of Interest repaid to SARS – Section 7F
MEDICAL SCHEME FEES

Medical scheme contributions are being shared by taxpayers

Refers to a situation where:

more than one person makes a premium contribution to a medical aid scheme in respect of the same dependant.

Illustrative example:
Taxpayers, who are children of dependants, jointly contributing towards their parent’s medical expenses under a medical scheme or under more than one medical scheme.

New proposal:
Medical scheme fees tax credits should be proportionally allocated between taxpayers who made the payment of medical scheme contributions.

Effective date: 1 March 2018 and apply in respect of years of assessment commencing on or after that date. Therefore, to be disclosed in ITR12 February 2019
Section 11(F) – The new treatment of capital gains when contributing to a retirement fund: retrospective from 1 March 2016.

A discrepancy results between the `old’ (section 11(k) and `new’ section (11F) when a taxpayer makes a windfall capital gain and contributes to a retirement vehicle.

The outcome is that the taxpayer under the new dispensation will have the following impact:

• Higher tax liability,
• Simultaneously a sizeable portion of the contribution to a retirement vehicle is transferred to the next tax, and
• The `excess’ contribution is not deducted in the current year although there is a sizeable taxable income.
SECTION 11F (CONTINUED)

The new section 11F(2) reads as follows:
11F(2) The total deduction allowed in terms of subsection (1) must not in a year of assessment exceed the lesser of -
   a) R350 000; or
   b) 27.5% of the higher of the person’s -
   i) Remuneration (does not include retirement benefits), or
   ii) Taxable income (does not include retirement benefits) as determined before allowing any deduction under this section.

   c) the taxable income of that person before –
      (i) Allowing any deduction under this section, before allowing the non-recoverable foreign taxes paid by a resident (6quat 1C ) and section 18A deduction.

      (ii) The inclusion of any taxable capital gain.


Section 11F

The underlined words in the last line of the previous slide in the previous slide makes all the difference between the old section and the new section of the Income Tax Act – it is the new limiting criteria for the allowable deduction when contributing to a retirement vehicle.

It requires a different approach to the treatment (inclusion) of capital gains, and results in a very different taxable income when compared with the previous section of the ITA.
Prior-year unclaimed premium contribution

If there are any unclaimed contributions at the end of 2018 year of assessment and forms part of the unclaimed balance at the start of the 2019 year of assessment - must be deducted in the following sequences:

▪ Deducted as per the Second Schedule.
▪ Taken into account in determining exempt under section 10C of the ITA - reference is made to the two-third portion of the lump sum but for the provident fund the two-third portion apply with effect from 1 March 2019.
▪ Allowed as a deduction in any year of assessment.
LOANS FOR ACQUISITION OF PROPERTY – Schedule 7 para 11(4)

Low-income employee: loan received from employer to fund the acquisition of immovable property - applies in respect of years of assessment commencing on or after 1 March 2019

If an employee is granted by an employer a loan in order to acquire a house, for example:

To encourage employers that empower their low-income earning employees through home ownership, the taxing of this fringe benefit in the hands of the employees is removed provided that such:

• Employees’ remuneration proxy does not exceed R250 000 in relation to the year the loan is granted,
• The low-cost housing has a market value not exceeding R450 000, and
• The employee is not connected to the employer.
SECTION 11 (j) DOUBTFUL/IMPAIRED OF DEBTS

Tax treatment of doubtful debts in terms of IFRS 9 and not in terms of IFRS 9

- Made provision for a deduction of an allowance in respect of ‘doubtful debts’
- Allowance received in the current year of assessment is included in the income of the following tax-year
- SARS has the discretion but in practice give an allowance of 25% of the face value of the doubtful debts
- New proposal: SARS discretion is deleted
- Depends on:
  1) taxpayers **not applying** IFRS 9 for financial reporting purposes
  2) taxpayers **applying** IFRS 9 for financial reporting purposes
SECTION 11 (j) DOUBTFUL/IMPAIRMENT OF DEBTS

Tax treatment of doubtful debts not in terms of IFRS 9

1. taxpayers not applying IFRS 9 for financial reporting purposes.
   - Age analysis of the debt used. The deductions are as follows:

   i) 40 per cent of the face value of doubtful debts that are, at least 120 days past due date be allowed as a deduction, and

   ii) 25 per cent of the face value of doubtful debts that are, at least, 60 days past due date,

   but excluding doubtful debts that are at least 120 days past due date, be allowed as a deduction.
1) TAX TREATMENT OF DOUBTFUL DEBTS
NOT IN TERMS OF IFRS 9

<table>
<thead>
<tr>
<th>Debtors Age Analysis</th>
<th>Sale Date</th>
<th>Expiry of Credit term</th>
<th>&gt; 60 days after expiry of credit term</th>
<th>&gt;120 days after expiry of credit terms</th>
<th>Application for a higher % of allowance - not exceeding 85% - criteria to be met - SARS to issue directive</th>
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</thead>
<tbody>
<tr>
<td>No allowance</td>
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<td></td>
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<tr>
<td>25% of Provision</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40% of Provision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apply for directive - 85% max</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
TAX TREATMENT OF DOUBTFUL DEBTS
NOT IN TERMS OF IFRS 9 (CONT)

Excel Sheet on age analysis

<table>
<thead>
<tr>
<th>Age analysis for doubtful debtors</th>
<th>平衡</th>
<th>会计准备金</th>
<th>Rand</th>
<th>余额</th>
<th>Rand</th>
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</thead>
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<tr>
<td>0 - payment term</td>
<td>R15 000</td>
<td>5%</td>
<td>R750</td>
<td>0%</td>
<td>Rnil</td>
</tr>
<tr>
<td>Payment &lt; 60 days</td>
<td>R300 000</td>
<td>5%</td>
<td>R15 000</td>
<td>0%</td>
<td>Rnil</td>
</tr>
<tr>
<td>&gt;60 days &lt; 120 days</td>
<td>R600 000</td>
<td>5%</td>
<td>R30 000</td>
<td>25%</td>
<td>R7 500</td>
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<tr>
<td>&gt; 120 days</td>
<td>R200 000</td>
<td>5%</td>
<td>R10 000</td>
<td>40%</td>
<td>R4 000</td>
</tr>
</tbody>
</table>
TAX TREATMENT OF DOUBTFUL DEBTS NOT IN TERMS OF IFRS 9 (CONT)

Application for a directive – higher % of doubtful debt allowance

- Applies to non-bank taxpayers – not available to bank because they have insurance
- Broadly comparable to amounts that are in default for banks under section 11(jA)
- Taxpayer could apply to SARS for a higher percentage of doubtful debts falling in the post 120 day- category
- SARS may issue a section 11(j) directive so that the 40% be increased to not exceeding 85%
- After taking into account the following criteria:
TAX TREATMENT OF DOUBTFUL DEBTS NOT IN TERMS OF IFRS 9 (CONT)

- the history of a debt owed to that taxpayer, including the number of repayments not met, and the duration of the debt,
- steps taken to enforce repayment of the debt,
- the likelihood of the debt being recovered,
- any security available in respect of that debt,
- the criteria applied by the taxpayer in classifying debt as bad, and
- such other considerations as the Commissioner may deem relevant.
2) TAX TREATMENT OF DOUBTFUL DEBTS IN TERMS OF IFRS 9

Taxpayers applying IFRS 9 for financial reporting purposes – to determine a loss to impairment of debt (excluding leases receivables).

40 per cent -
- of the IFRS 9 aggregate loss allowance relating to impairment that is measured at an amount equal to the lifetime expected credit loss be allowed as a deduction, and
- amounts of bad debts that have been written off for financial accounting purposes as bad debts but the amounts written off do not meet the requirements of section 11(i) of the Act to qualify for a deduction.

However, the allowance for these non-deductible written off amounts is not intended to cover partial write-off of debt.
ii. 25 per cent of the difference between the IFRS 9 loss allowances relating to impairment and the IFRS 9 loss allowance in respect of which 40 per cent tax allowance is determined be allowed as a deduction

Section 11(j) - With Effect from 1 January 2019 and applies in respect of years of assessment commencing on or after that date.
TAX TREATMENT OF DOUBTFUL DEBTS IN TERMS OF IFRS 9 (CONT)

Illustrative example

Total debt less fair value (estimate - today’s worth) = Impairment Loss

- Total Debt
- Estimate Fair Value
- Impairment loss - 40%
- Balance - 25%
TAX TREATMENT OF DOUBTFUL DEBTS
IN TERMS OF IFRS 9 (CONT)

Illustrative example

Total debt less fair value (estimate - today’s worth) = Impairment Loss

<table>
<thead>
<tr>
<th>Loss</th>
<th>R100</th>
</tr>
</thead>
<tbody>
<tr>
<td>40% allowance</td>
<td>R40</td>
</tr>
<tr>
<td>difference</td>
<td>R60</td>
</tr>
<tr>
<td>25% allowance</td>
<td>R15</td>
</tr>
</tbody>
</table>
WHAT IS A VENTURE CAPITAL COMPANY (VCC)?

1. INVEST IN VCC
2. ISSUE INVESTOR CERTIFICATE
3. INVEST IN QUALIFYING INVESTEES
4. ISSUE QUALIFYING SHARES

QUALIFYING INVESTOR

APPROVED VCC

QUALIFYING INVESTEES
Review of venture capital company rules – different implementation date for the various changes

1) Investment Income: 20% threshold of investee company

**Current legislation**
Investment income (as defined for SBC) derived by the qualifying company during any year of assessment not to exceed 20 per cent of gross income of that qualifying company.

**New legislation – motivation**
Qualifying company’s underlying business - is time and infrastructure intensive and the qualifying company is only able to generate income, other than investment income as defined in paragraph (f) of the definition of qualifying company, from the business upon the completion of the infrastructure –

Hence unintentional breach of 20% threshold
Review of venture capital company rules

Solution
Allow for the 20% of investment income test to be applied for the first time during any year of assessment of that qualifying company that ends after the expiry of a period 36 months from the date of acquisition of shares by the VCC in the qualifying company and every year of assessment after that.

w.e.f. 24 October 2018
VENTURE CAPITAL COMPANY

Review of venture capital company rules

2) Controlled company test
One of the requirements to qualify for a deduction iro VCC shares, is that the investee company must not be a controlled group in relation to a group company.

Means that a “controlled group company” is a company that has a corporate shareholder that holds directly or indirectly, at least 70% of the shares in that company.

This “controlled company test” in the definition of “qualifying company” ensures that at a minimum, there is more than 30 per cent independent shareholding in a qualifying company apart from the VCC.
Review of venture capital company rules

Solution
To clarify the policy intent that the controlled company test is only to be applied within the VCC framework.

w.e.f. 1 January 2019 and applies in respect of years of assessment commencing on or after that date.
Review of venture capital company rules

3) `Connected party’ test - withdrawal of VCC status
A `connected person’ test was included in order to reduce potential abuse within the VCC context.

Results:
- Retrospective withdrawal of the VCC status and the inclusion in the income of a VCC of an amount equal to 125 per cent of allowable tax deduction - effective from the date of approval of the VCC.
- This retrospective withdrawal requires SARS to reopen assessments for previous years of assessment for both the VCC and the investor, and results in administrative, financial burden, such as imposition of interest for late payment of taxes.
Review of venture capital company rules

3) `Connected party’ test - withdrawal of VCC status
To allow for a reduced administrative impact, the following is proposed:
  a) SARS should withdraw the VCC status during the current year of assessment when the VCC fails to take corrective steps acceptable to SARS;
  b) An amount equal to 125 per cent of allowable tax deduction in respect of expenditure incurred to acquire VCC shares should be included in the income of a VCC in the year of assessment in which the VCC status is withdrawn.
Review of venture capital company rules

3) `Connected party’ test - withdrawal of VCC status
SARS must after due notice to the company withdraw that approval with effect from the commencement of the year of assessment during which the period ends that is stated in that notice during which corrective steps acceptable to the Commissioner must be taken if corrective steps acceptable to the Commissioner are not taken by the company within the period stated in that notice.
Review of venture capital company rules

4) Closure of abusive schemes
In order to close the various abusive schemes:
- With reference to trading between a VCC investor that invested in a VCC company and a qualifying company in which that VCC takes up shares.
- Any amount received or accrued by the qualifying company from any transactions between a VCC shareholder (together with connected persons) be limited to not more than 50 per cent of the aggregate amount received or accrued from the carrying of a trade.
- This limitation only be applied after a period of 36 months from the date that the VCC acquires an interest in the qualifying company.
- w.e.f. 24 October 2018
4) Closure of abusive schemes (cont)
A shareholder may hold, directly or indirectly, more than 20 per cent of the shares of any class in a VCC.

Solution: To ensure that VCCs have adequate time to source enough investors per class of share - the maximum holding test only be applied in respect of a class of shares at the end of any year of assessment following a period of 36 months from the date of issue of that class of shares by that VCC
Review of venture capital company rules

4) Closure of abusive schemes (cont)
Shares issued by the VCC to VCC managers (services in respect of the incorporation, marketing, management or administration of a VCC or qualifying company held by the VCC) be excluded from the concept of a venture capital share.

Solution: Such shares will, therefore, not qualify for a VCC deduction and will not be subject to the maximum holding test.
Review of venture capital company rules

4) Closure of abusive schemes (cont)
VCC shareholders (together with connected persons) may hold no more than 50 per cent of participation or voting rights in the underlying company.
Review of venture capital company rules

4) Closure of abusive schemes (cont)
A business being broken up into several different segments and where either the current shareholders or existing financiers get the benefit of an upfront deduction which they would not have otherwise been entitled to.

Solution: a qualifying company may not carry on any trade through a business acquired from an investor in the VCC or from a person that is a connected person in relation to that investor.

Effective date:
24 October 2018 and will apply only in respect of shares issued on or after that date.
Extending the distribution period for small business funding entities

Permits tax exemption for entities whose sole or primary objective is to provide funding to Small Medium and Micro Enterprises (“SMMEs”).
- aim is to assist SMMEs in alleviating the difficulty of obtaining funding.

Requirement: 25 per cent of amounts received by or accrued to them during the tax year (excluding amounts received from the disposal of assets in that tax year) are distributed for the purpose of funding the SMMEs by the end of that tax year.

Changed to
- Still 25% but must within 12 months after the end of the relevant year of assessment
- Effective date: 1 January 2019
EMPLOYMENT TAX INCENTIVE (ETI)

- Introduced in January 2014
- Supposed to expire on 28 February 2019.
- Extended for a further 10 years – expire on 28 February 2029

In addition, the eligible income bands will be adjusted upwards to partially cater for inflation.

From 1 March 2019, employers will be able to claim the maximum value of R1 000 per month for employees earning up to R4 500 (previously R4 000).

And the incentive will be reduced to nil at the maximum monthly income of R6 500 (previously R6 000).
USE OF FOREIGN TRUST & CONTROLLED FOREIGN COMPANY (CFC) SECTION 25B(2A)

**Major issue**
- RSA companies and RSA individuals have a direct interest in foreign company via foreign trust and foreign foundations

Resulted in trust being used to avoid tax or re-classify the nature of income.

**Solution**
Donation / settlement / disposition by an individual to a foreign trust that hold shares in a foreign company if individuals holds directly or indirectly more than 50% participation / voting rights
- Not viewed as foreign dividend paid by a foreign company

Tax Update – 2019
USE OF FOREIGN TRUST & CONTROLLED FOREIGN COMPANY (CFC) SECTION 25B(2A)

The amount must be included, either as:

- Income of the individual, or
- As capital gain to that individual RSA resident and para 72 of the Eight schedule will apply

From 1 March 2019 - in respect of amounts received or accrued on or after that date.
EXEMPTION OF FOREIGN DIVIDENDS:
SECTION 10B (2) (A)

Merely confirms that:

RSA companies and RSA individuals that have a direct interest in foreign company via foreign trust and foreign foundations is not foreign dividends.

From 1 March 2019.
FOREIGN EMPLOYMENT INCOME

CONSISTENT SOURCE OF ANXIETY TO TAX PRACTITIONERS AND TAXPAYERS

From 1 March 2020, the exemption will only apply if the employee’s remuneration for services rendered outside South Africa does not exceed R1 000 000 in respect of a year of assessment.

To be disclosed in ITR12 in Feb 2021

This is the tax law for now – any future changes to this law? You can guess if you want to – but SAIPA does not know yet!
CALCULATION OF THE AMOUNT OF INTEREST – SECTION 7D

Any amount would have accrued or been incurred as interest in respect of any loan, debt, advance or amount of credit provided to a person or an amount owed by a person had that interest accrued or been incurred at a specific rate of interest, that amount must be determined

As simple interest calculated daily

From 17 January 2019
TIME OF ACCRUAL OF INTEREST PAYABLE BY SARS – SECTION 7E

In determining the taxable income of a taxpayer during a year of assessment, any interest due or accrued to a taxpayer and which is payable by SARS in terms of a Tax Act - is deemed to accrue to the taxpayer on the date on which that amount is paid to that person.

w.e.f. 1 March 2018 and applies to amounts of interest paid by SARS on or after that date
DEDUCTION OF INTEREST REPAID TO SARS – SECTION 7F

In determining the taxable income of a taxpayer during a year of assessment, any of interest paid by SARS to a taxpayer and is deemed to accrue to the taxpayer in terms of section 7E but has to be repaid by the taxpayer to SARS must be deducted from the taxpayer’s taxable income in the year of assessment during which that amount is repaid to SARS.

w.e.f. 1 March 2018 and applies to amounts of interest repaid to SARS on or after that date.
B: VALUE ADDED TAX
CONTENTS

▪ “FACE VALUE” in the context of irrecoverable debt – 17 January 2019 – when the Act was promulgated

▪ Correction of tax Invoices – 17 January 2019 – when the Act was promulgated

▪ Impact of crypto currencies

▪ Clearing the VAT refund backlog
Change in VAT rate

Calculated at the rate of 15% on the value of the supply concern or the importation with effect from 1 April 2018

Zero-rating – only new items listed below:
- Whole wheat brown bread – 1 April 2019
- Cake wheat flour – 1 April 2019
- Sanitary towels (pads) – 1 April 2019 – Note well!
DEFINITION OF “FACE VALUE” – DEALING WITH IRRECOVERABLE DEBT

Refers to a situation
Permitted to claim an input tax VAT on taxable supplies of goods or services that have been written off, if those taxable supplies were provided on credit, and the debt is irrecoverable.

What if?
- Vendor cedes or sells the debt book i.r.o the debt that has been written off on a non-recourse basis to another vendor, for example a collection agent or bank,
- For an amount that is less than the amount owing, then the sale of debt is exempt from VAT and the vendor is not required to make any adjustments to the previous VAT deduction.
In practice, the following often happens:

- Vendors (for example collection agents or banks) that buy the debt book in terms of the above-mentioned arrangement then attempt to claim a further VAT deduction if they write off all or part of this debt in future. This results in a double VAT deduction.

Solution: change definition of “face value” to explain the rationale.

Effective date: 1 April 2019.
CORRECTION OF TAX INVOICES

- Supplier is informed by the recipient that information on the tax invoice is incorrect and requested to correct it, the supplier must correct the initial document with the correct particulars within 21 days from the date of the request, which correction will not constitute an offence.

- Such correction must not alter the time of supply.

- Requires the supplier to obtain and retain information sufficient to identify the transaction to which the first document and the corrected tax invoice refers.

Effective date: 17 January 2019
CRYPTO CURRENCY AS DEFINED IN THE VAT ACT

- Section 2 (1)(o) regards the issue, acquisition, collection, buying or selling or transfer of ownership of any cryptocurrency as financial service and therefore exempt from the VAT scope (as per section 12 (a) of the VAT Act).

With effect from 1 April 2019.

Cryptocurrency is not `money’ for VAT purposes. Money, as defined in the VAT Act are as follows:
- Coins (not Kruger Rands) and paper currency issued by the SARB, coins and paper currency of any other country, any bill of exchange, promissory note, bank draft, postal order or money order.
CRYPTO CURRENCY AS DEFINED IN THE VAT ACT (CONTINUED)


Crypto Assets Regulatory Working Group: consultation paper on policy proposal for crypto assets

CLEARING THE VAT REFUND BACKLOG

In October 2018, SARS promised to pay out overdue VAT refunds, which was R41.8 billion in September 2018.

By end-January 2019, the credit book had decreased from R41.8 billion to R31 billion.

SARS expects to bring the credit book down during 2019/2020.

Clearing the VAT refund backlog will reduce net revenue collections in 2018/19. In the interim period, the estimated amount of refunds to pay out has increased by R8 billion.

The normalisation of refund payments will provide business with more certainty about cash flow.
CONTENTS

- S 240 TA – non-compliant tax practitioner – 17 January 2019 – when the Act was promulgated

- Failure by a company to submit an income tax return - section 210 and section 211 – 14 December 2018
NON-COMPLIANT TAX PRACTITIONER

During the preceding 12 months has for an aggregate period of, at least, six months not been tax compliant and has failed to:

i. demonstrate that he or she has been compliant for that period; or

ii. remedy the non-compliance,

within the period specified in a notice by SARS.

w.e.f. 17 January 2019
FAILRE BY COMPANY TO SUBMIT A TAX RETURN

During the preceding 12 months has for an aggregate period of, at least, six months not been tax compliant and has failed to:

i. demonstrate that he or she has been compliant for that period;
   or
ii. remedy the non-compliance,

within the period specified in a notice by SARS.

w.e.f. 14 December 2018
QUICK MENTION

- Clarification of deemed divided in terms of transfer pricing rules – 1 April 2019.

- Change in definition of employees – exclude directors who do not pay PAYE – 17 Jan 2019 – when the Act was promulgated.

- Tax treatment of deemed dividends and date of declarations.
Definition of dividend changed to include secondary adjustments as per transfer pricing adjustments in terms of transfer pricing rules – 1 April 2019.

Change to the definition of director – 4th schedule of the ITA
Directors that do not pay PAYE are not employees – 1 March 2019 and applies to years of assessment [commencing on or after that date] and applies to years of assessment commencing on or after that date.

Tax treatment of deemed dividends and date of declaration – remarks in this regard are not an update but a clarification of existing tax legislation – shareholder’s loan to a connected company have ‘deemed’ dividend tax implication – deemed dividends are never declared – they arise as per application of the tax law.
JOIN THE CONVERSATION
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