



# SOUTH AFRICA – July 2020

---

## CONTENTS

THESE ARE THE NEW TAXES TREASURY IS LOOKING AT FOR SOUTH AFRICA .....1

---

### These are the new taxes Treasury is looking at for South Africa

Chief director Edgar Sishi says the National Treasury is considering a number of new tax measures as government seeks to raise an additional R40 billion through hikes in the coming years.

Presenting in a virtual parliamentary meeting on Friday (3 July), Sishi said that Treasury was considering research reports from the Davis Tax Committee on the possible introduction of new measures, including the viability of a wealth tax and how it relates to a land tax and estate duty.

“We are looking at these recommendations. It is important to remember that tax amendments over the last five years have included some of these proposals and we are looking at additional proposals for the 2021 budget.”

Citing Finance minister Tito Mboweni’s supplementary budget speech at the end of June, Sishi said that there will be tax increases of R40 billion over the next four years to help stabilise debt in the country.

The specifics of these increases will be communicated in the February 2021 budget, he said.

While no major tax increases were directly announced by Mboweni, Treasury’s supplementary budget shows that the country plans to introduce a number of tax increases to address a growing shortfall.

“Given the extent of fiscal consolidation now required, however, both expenditure reductions and tax increases are necessary to stabilise debt,” Treasury said.

“The active scenario assumes tax increases of R5 billion in 2021/22, R10 billion in 2022/23, R10 billion in 2023/24 and R15 billion in 2024/25.”

#### Other measures

On Monday (30 June), Bloomberg reported that Mboweni had told selected clients at two of the country’s biggest banks that the Treasury has no plans to boost income, corporate or value-added tax even as the coronavirus decimates the nation’s finances.

However, Treasury is discussing the possibility of an inheritance tax and a so-called solidarity tax in a bid to raise additional finances, two people who listened to the calls with hundreds of clients of Standard Bank and Absa said.

### International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

Taxes on the wealthy are favoured politically and a solidarity tax, associated with the virus outbreak, would be limited in duration.

In South Africa's top income-tax rate is 45%, corporate tax is 28% and VAT is 15%.

In February, when the annual budget was released, the Treasury said it decided not to raise taxes due to the weakness of the economy and was considering lowering the levy on companies to boost the country's competitiveness as an investment destination among emerging markets.

Since then, South Africa has lost the last investment-grade rating on its debt and the country on 27 March entered a lockdown to curb the spread of the virus.

While the government is gradually easing those restrictions, the Treasury forecasts GDP will contract 7.2% this year.

## **International Property Tax Institute**

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.