TAXPRACTICE

WEEKLY HIGHLIGHTS

WEEK OF 13 – 19 February 2025
(Issue 06 -2025)

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TOP STORIES

The VAT standoff: Unprecedented turn of events put the Budget on hold

On 19 February 2025, South Africa's National Budget Speech was postponed- a first since the dawn of democracy in 1994. The National Budget Speech will now be presented on 12 March 2025.

The embargo on the budget review has now been lifted and SAIT remains at the forefront with direct access to the original budget documents provided during the Cape Town Lock-Up. Below, we outline key insights from these original budget documents.

Please note that, due to the postponement of the budget, some proposals may undergo revisions. However, by sharing these insights, SAIT members will have a clearer understanding of the National Treasury's current thinking on various matters. Read more on the key tax proposals below.

The rescheduled budget presentation on 12 March 2025 will be closely monitored to assess any changes made by the current government in response to these challenges and to determine whether consensus on fiscal policies can be achieved.

SARS eFiling updates: Key changes introduced in February 2025

SARS continues to enhance its digital services to simplify compliance for taxpayers and tax practitioners. Several significant updates were implemented on the SARS eFiling system over the weekend of 17 – 18 February 2025, focusing on improving efficiency, security, and user experience.

For more information on the February 2025 enhancements, read here.

#StayAbreastOfTheTaxWave

Are you a **tax practitioner** with a passion for writing?

Let's feature your article on the **Tax Practice: Weekly Highlights.**

Send your article to [taxqueries@thesait.org.za.](mailto:taxqueries@thesait.org.za)

Approximately 500 – 1500 words

PART A: COMPLIANCE & SARS OPERATIONS

SAIT-SARS ‘ON-THE-GROUND’ ENGAGEMENT

Troubleshooting Fixed Percentage Tax Directive Issues: SAIT Member FAQs

Over the past week, SAIT has received numerous queries regarding difficulties in obtaining fixed percentage tax directives on eFiling. In response, we have compiled a set of frequently asked questions (FAQs) to address common concerns. These FAQs aim to provide clarity on technical issues, submission errors, and general queries related to the application of fixed percentage tax directives for commission earners and other related matters. If you’re facing similar challenges, the following solutions may assist in resolving your concerns.

Question	Answer
I have been experiencing issues with applying for fixed percentage tax directives for commission earners since 6th February 2025. When I submit the application, the screen buffers, and an error appears stating "Service took too long to respond." Upon checking the history, the application is shown as "declined."	To resolve this, we recommend submitting the tax directive in stages: request the directive, fill in a few fields, then save. Continue saving after completing sections to avoid buffering or delays.
I’ve been facing problems submitting fixed percentage tax directives. Are other tax practitioners experiencing similar issues? Is SARS aware of the problem and working on a fix?	Try submitting the directive again, as there may have been a temporary glitch. Use the 'duplicate' button to resubmit the tax directive. If the issue persists, contact the SARS call centre to check if the error is on their side. If necessary, we can escalate the matter to SARS’ eFiling technical team.
I have access to my client’s eFiling profile through my practitioner portal, but when trying to apply for a fixed percentage tax directive, the system only allows me to select a company taxpayer type, preventing further progress. How can I proceed?	It seems like a potential browser-related issue. The tax directive function should be accessible, but printing may not always work properly. Try clearing your browser cache or using a different browser to resolve this.
SARS is refusing to grant access to tax directives, stating that the client owes them, but my client insists that taxes were already deducted on previous lump-sum payments. How can I resolve this?	It seems that your client may have outstanding debt despite their claim that previous deductions covered it. The first step is to request a statement of account or penalty statement to verify any outstanding debt. Additionally, use the My Compliance Profile (MCP) function to check if there’s any outstanding debt or non-compliance. If the client is in compliance, try submitting the directive again. If the issue persists, contact the SARS call centre for clarification on the debt. Without resolving the debt issue, the IRP3b directive will not be processed.

Should your specific problem persist, please don’t hesitate to reach out to the SAIT TaxHelpline for further guidance.

Tax Practitioner vs. Taxpayer Contact Details: Communication Falling Through the Cracks

In recent weeks, SAIT has observed a growing number of issues related to SARS communications not reaching tax practitioners. This problem arises primarily from SARS choosing to communicate directly with the taxpayer using the contact details listed on the RAV01 form, rather than those of the tax practitioner linked to the taxpayer's eFiling profile.

Previously, some tax practitioners changed the contact details on the RAV01 form to their own, instead of the taxpayer's. This practice allowed them to access all correspondence from SARS, but it was strongly discouraged by SARS, as it effectively removed the taxpayer's right to remain informed.

The following are the key areas where communication breakdowns are causing significant challenges:

1. **Registered representative applications:** Tax practitioners cannot activate a tax type on eFiling or link a client's profile until the registered representative (public officer) is updated. The practitioner submits the application, but the outcome is sent directly to the public officer or trustees, leaving them uninformed.
2. **VAT registrations:** SARS sends additional documentation requests and outcome letters directly to the taxpayer (vendor) who may not know how to respond. Meanwhile, the tax practitioner, unaware of these communications, repeatedly follows up with SARS.
3. **Paragraph 19(3) audits:** Provisional tax audits are conducted via email, with information requests submitted through email. The email address used is the one found on the RAV01 form, which belongs to the taxpayer. Since the IRP6 return does not allow tax practitioner contact details, similar to VAT registration requests, the taxpayer is often unable to respond to the requests. This can result in revised declarations and potential penalties for late payment.

On Friday, 21 February 2025, SAIT will attend the first SARS eFiling workgroup meeting, which will focus on collaborating with stakeholders to enhance the eFiling system. One of the proposals that will be presented is an upgrade to the RAV01 form, which would include a dedicated section for the tax practitioner's contact details. Additionally, we will be recommending that all correspondence from SARS be automatically sent to both the taxpayer and the tax practitioner to ensure that both parties are fully aware of any communications from SARS.

With the ongoing modernisation of SARS' systems, we anticipate that these enhancements will be implemented sooner than expected, improving communication and efficiency for both tax practitioners and taxpayers alike.

Reminder on ensuring successful activation of PR-number for new tax practitioners

Over the past week, we've noticed an increasing number of tax practitioners encountered challenges when attempting to activate their Practice Registration Number (PR-number) and confirm their practitioner status on eFiling. The activation process is a critical step in becoming a fully registered tax practitioner with SARS, and it is essential to ensure that all steps are followed correctly to avoid delays.

To help practitioners navigate this process, it's crucial to note that the successful activation of a PR-number is **directly linked** to the accuracy of demographic information registered with SARS. A common issue is outdated personal details, such as changes to passport numbers. If your passport details have changed, they must be updated at a SARS branch before you attempt to activate your PR-number. Failing to do so may result in an unsuccessful activation attempt.

For those experiencing difficulties, it is advisable to refer to the comprehensive guides provided by SARS and the South African Institute of Taxation (SAIT). The SARS eFiling guide and the SAIT guide for PR-number activation provide step-by-step instructions to ensure that all necessary information is entered correctly and that your PR-number is activated without any issues.

Key steps for PR-number activation:

1. Ensure your demographic information (e.g. passport numbers, personal details) is up-to-date.
2. Follow the eFiling process carefully, referring to the SARS eFiling guide for step-by-step instructions.
3. If necessary, update your details at the nearest SARS branch before proceeding with activation.

We encourage all new tax practitioners to take the time to verify their information and follow the guides closely. Doing so will help streamline the registration process and ensure that your practitioner status is confirmed on eFiling without unnecessary delays.

SAIT TaxHelpline – escalations

As part of our ongoing commitment to serving our members, SAIT escalates appropriate cases within the SARS structures on their behalf. For assistance with this, members can submit their queries via the TaxHelpline.

Read more on the process and requirements here.

The most urgent escalations this week include:

1. Delays in finalising 2024 income tax verifications.
2. Delays in finalising bank verification cases.
3. Delays in finalising and payment refunds.
4. Delays in finalising income tax returns selected for manual intervention.

SARS regional and national operational meetings

SAIT and its Regional Representatives attend SARS/RCB regional meetings quarterly, offering opportunities for effective, systemic discussions (qualifying for CPD points)*.

** For effective and meaningful engagement with SARS, Regional Representatives are encouraged to provide three specific examples of issues or challenges that arise. It is important to note that regional meetings are not intended for individual case escalations but serve as a platform to address systemic issues impacting the broader tax practitioner community.*

Feedback from the RCB/SARS regional and national meetings

Feedback from the following stakeholder and regional meetings are may be accessed:

- Gauteng South held on 12 February 2025
- Mpumalanga – Emalahleni held on 17 February 2025; and
- North West held on 17 February 2025.

Upcoming RCB/SARS regional and national meetings

1. Gauteng North – 20 February 2025;
2. Mpumalanga – Mbombela – 21 February 2025;
3. Western Cape – 5 March 2025
4. Free State and Northern Cape – 10 March 2025;

5. Limpopo – 11 March 2025;
6. Eastern Cape – Gqeberha and Kareiga – 12 March 2025
7. Free State and Northern Cape – 9 June 2025;
8. Eastern Cape – Gqeberha and Kareiga – 25 June 2025
9. Eastern Cape – Gqeberha and Kareiga – 13 August 2025
10. Free State and Northern Cape – 8 September 2025;
11. Free State and Northern Cape – 10 November 2025; and
12. Eastern Cape – Gqeberha and Kareiga – 12 November 2025

Other meetings of interest

1. eFiling workgroup meeting – 21 February 2025;
2. RCB Forum meeting- 4 March 2025;
3. RCB Forum meeting- 3 June 2025;
4. RCB Forum meeting tentatively scheduled for 16 September 2025; and
5. RCB Forum meeting- 18 November 2025.

DAILY COMPLIANCE AND ADMINISTRATION

Due dates for reporting and payments: February 2025

Month	Date	Tax Type	Notification
February 2025	07/02/2025	Employment Taxes	**EMP201 -** Submissions and payments
	25/02/2025	Value-Added Tax	**VAT201 -** Manual submissions and payments
	28/02/2025	Value-Added Tax	**VAT201 -** Electronic submissions and payments
	28/02/2025	Income Tax	**ITR14 -** Submission deadline for the 2024 returns for companies with a February year-end
	28/02/2025	Income Tax	**2nd provisional (2025) -** Submissions and payments for individuals, trusts and companies with a February year-end
	28/02/2025	Income Tax	2025 closing odometer reading for logbook purposes
	28/02/2025	Turnover Tax	**2nd TT02 (2025) -** Payments for micro-businesses registered for turnover tax

SAIT member resources

- SAIT important tax dates calendar – contains important dates from January 2025 to January 2026 (unchanged).
- SAIT SARS contact map – links service requirements to SARS channels (unchanged).

Key operational news

SARS eFiling updates: Key changes introduced in February 2025

SARS continues to enhance its digital services to simplify compliance for taxpayers and tax practitioners. Several significant updates were made to the SARS eFiling system over the weekend of 17 – 18 February 2025, focusing on improving efficiency, security, and user experience across various processes. Here's a breakdown of the most important changes:

1. **Digital modernisation of Trust Suspension of Payment (SOP) process**

SARS is taking significant steps towards modernising the Trust Suspension of Payment (SOP) process, transitioning it from a manual procedure to a fully digital process on eFiling. This update, effective 17 February 2025, aims to streamline the way Trusts and their representatives manage their tax obligations, offering an easier and more efficient approach.

This change is in line with SARS' commitment to provide modern, digital services that simplify compliance and reduce administrative burdens. Taxpayers and tax practitioners can now submit requests for SOP on Section 95(1)(c) and disputed Trust debt directly through the eFiling platform.

For more details on how to submit a dispute via eFiling, please refer to the updated Guide to Submit a Dispute via eFiling.

2. **Reportable Arrangements (RAs) now accepted on eFiling**

From **17 February 2025**, taxpayers can submit **Reportable Arrangements (RAs)** via eFiling, under **"Services" > "Additional Services"**. Previously, these were submitted manually via email. While the process remains the same (requiring the RA01 form and supporting documents), eFiling submissions improve security and operational efficiency.

Although the submission process remains the same (requiring the RA01 form and supporting documentation), the new eFiling submission method is set to improve the overall submission experience for taxpayers. SARS will accept both eFiling and email submissions until 31 May 2025, after which email submissions will be discontinued.

For further information, see the updated Guide to Complete the Company Income Tax Return (ITR14) on eFiling.

3. **New validation rule for payment reference numbers (PRNs)**

On 14 February 2025, a new rule was introduced to improve the validation of Payment Reference Numbers (PRNs) submitted through eFiling for administrative penalties. This rule aims to address the issue of invalid PRNs, such as those consisting entirely of zeros (000...) or nines (999...), which previously led to transactions being incorrectly posted to the SAP Clarification account.

The new rule applies to taxpayers selecting the tax type "ITPEN" (Payments towards third-party appointments for admin penalties, such as AA88 notices issued by employers). Under this rule, the 12th character of the PRN must always be the letter "I," while the characters between positions 13 and 19 must be numeric and cannot consist solely of zeros or nines. The 19-digit module must be followed as specified.

If the PRN fails to meet these criteria, the file will be rejected, preventing erroneous transactions. For more details on this new validation rule, please refer to the *updated* Guide to Bulk and Additional Payments on eFiling.

Looking Ahead

By transitioning critical processes like the Trust SOP process and Reportable Arrangements to eFiling, as well as implementing stricter validation for PRNs, SARS is continuing its commitment to simplifying compliance and improving the taxpayer experience.

For the latest guidance and detailed instructions on using the updated features, taxpayers and practitioners are encouraged to consult the relevant eFiling guides linked above.

Preparing for E-Invoicing as VAT modernisation set to become a reality

While many South African businesses have already adopted e-invoicing as a standard practice, others are still assessing the potential impact of upcoming changes to SARS' VAT reporting requirements. These changes, expected to take effect in 2028, are making it increasingly important for businesses to start preparing for e-invoicing compliance as the deadline draws nearer each day.

For companies that have yet to begin, the first step is to find and implement an e-invoicing solution that integrates smoothly with their current ERP systems. Although it may be tempting to assign this task to internal IT teams, it's a specialized process that is already offered by local experts in the South African market. Partnering with a specialist will save both time and money, preventing complications down the line. Additionally, a local partner will be better equipped to quickly adapt to any future changes in SARS regulations.

It's important to note that both cloud-based and on-site ERP solutions can support integrations with e-invoicing systems. However, businesses must ensure they have a dedicated transmission server for sending VAT-related data and invoices to SARS at the required frequency, with some countries already mandating real-time e-invoice sharing.

Other SARS and related operational publications and announcements

- **17 February 2025:** SARS launched version 8.0 of the e@syFile™ Employer systems, featuring an enhanced user interface. From 1 March 2025, this version will replace all previous ones. Employers should download v8.0 and familiarise themselves with the new features. See more details here.

TAX PRACTITIONER MANAGEMENT

SAIT TaxHelpline – Tax practitioner access and functionality (eFiling)

No recurring tax practitioner access and functionality issues were identified via the TaxHelpline during the week of 13 – 19 February 2025.

Key tax practitioner news

No other tax practitioner news was published from 13 – 19 February 2025.
Government & stakeholder newsletters

SARS publishes the latest edition of its newsletters

On 14 February and 17 February 2025, SARS published the latest editions of the Monthly Tax Digest and SMME Connect newsletters, respectively. The newsletters cover the following topics:

- Company and Provisional Tax: Your Deadline Is 28 February 2025
- ITR14 Submission
- Provisional Tax
- Turnover Tax
- Digital Channels
- Tax Compliance Status (TCS)
- Updating your Contact Details

Other tax practitioner access and functionality publications and announcements

- **12 February 2025:** SARS announced that it would be conducting planned upgrades to the eFiling platform on Friday, 14 February 2025, from 18:00 to 20:00 and on Saturday, 15 February 2025, from 03:00 to 05:00. During these times, the digital platform may have been unavailable.

PART B – LEGISLATION & POLICY

LEGISLATION, INTERNATIONAL AGREEMENTS & POLICY

Tax policy & international agreements

National Legislation

Although the National Budget Speech was not delivered as planned on 19 February 2025, we proceed to set out below the key tax proposals that were put forward both in Chapter 4 and Annexure C of the National Budget Speech pertaining to a summary of **Revenue and Tax Collection**

- Increasing the VAT rate by 2 percentage points to 17%
- Additional VAT zero-rating of essential food items beyond the current zero-rated basket
- Above-inflation increases in social grants
- No changes to the general fuel levy and the RAF levy to provide relief to households
- Partial adjustment to personal income tax tables (i.e. full inflationary relief/ adjustment for the two lowest brackets, while the remaining brackets have been partially adjusted for inflation). These proposals are expected to raise revenue of R3 billion
- No inflationary adjustment to the medical aid tax credits
- The government has acknowledged administrative concerns regarding the taxation of CIS returns; it confirms it does not intend to tax all CIS returns as revenue. Consultations will continue in 2025
- Extension of the diesel refund relief to include all eligible diesel purchases declared to SARS
- South Africa's tax-to-GDP ratio is expected to increase slightly from 24.7% in 2024/25 to 25.4% in 2025/26.
- In an aim to enhance efforts to improve tax revenue collection, gross tax revenue is forecasted to grow from R1.84 trillion in 2024/25 to R2.03 trillion in 2025/26 and R2.32 trillion in 2027/28.
- Tax receipts have contracted by 2.3% in the first 10 months of 2024/25 compared to the previous year. Despite this, personal income tax remains the most resilient tax base, followed by VAT and corporate tax, with corporate tax collections expected to exceed the 2024 Budget estimates.
- Personal income tax grew by 13.1% over the first 10 months of 2024/25, reflecting positive tax policy impacts, including tax receipts from the two-pot retirement reform. However, overall personal income tax collections have been revised down from the 2024 Budget's expectations.
- To ensure efficient Tax Administration, which will be aimed at growing the improving efficiency of tax collection, SARS will focus on closing the tax gap in 2025/26 through enhanced taxpayer compliance and the use of artificial intelligence and data science. The 2024 MTBPS allocated an additional funding of R500 million in 2025/26, R1.5 billion in 2026/27 and in 2027/28 to support capital projects and strengthen the revenue-raising capabilities of SARS. At the time of the 2024 MTBPS, the South African Revenue Service was allocated R3.5 billion over the medium term to modernise its operations and enhance taxpayer services.
- Excise duties on alcohol, tobacco, and transfer duties will increase above inflation to compensate for economic pressures.
- No increases have been proposed to the health promotion levy (i.e., the sugar tax).
- Amendments to the Employment Tax Incentive (ETI) will be implemented in March 2025, with the minimum wage adjustments influencing the incentive formula.
- The UDZ tax incentive will be extended until 2030.
- Changes are being proposed to the treatment of retirement funds from foreign sources, aimed at improving cross-border tax compliance.

- The carbon tax will rise from R190 to R236 per tonne, starting in January 2025, with further increases in the carbon fuel levy in April. Despite these changes, there will be no increase to the health promotion levy (sugar tax) or the general fuel levy.
- Proposals are being introduced to ensure a refinement to the deferral of exchange difference rules on debt between related companies.
- On the backdrop of the Coronatoin case, the National Treasury is proposing clarifying the scope of "bona fide inadvertent error" for purposes of understatement penalties to essentially have the concept of "bona fide inadvertent error" explicitly linked with "substantial understatement".
- The Customs and Excise Act is proposed to be amended to provide for a customs and excise voluntary disclosure program.

Future Discussions and Proposals

Discussions are ongoing regarding institutional funding for infrastructure, with proposals for investment vehicles and flow-through tax regimes set to be explored in 2025. The National Treasury is also in active dialogue with the industry on the Collective Investment Scheme (CIS) discussion document. Notably, the government has acknowledged the administrative concerns raised about the fully tax-transparent proposal and has confirmed that it does not intend to tax all CIS returns as revenue. This clarification is expected to provide relief to practitioners and taxpayers involved with CISs, who will continue to monitor developments in this area.

Finally, the government aims to expand South Africa's tax treaty network and review VAT exemption laws for low-value goods purchased online, ensuring a level playing field for both local and international suppliers.

These are just a few of the key proposals presented for discussion. Members are encouraged to review the budget documents on 12 March 2025 to stay informed and monitor any updates or changes related to these proposals.

LEGISLATIVE INTERPRETATION

Submissions made to SARS and current calls for comment

Taxation of Alcoholic Beverage discussion document paper

In the past week SAIT submitted commentary to SARS and National Treasury on the proposals outlined in the Taxation of Alcoholic Beverages Discussion Document.

Essentially, SAIT supports the adjustment of excise duty rates to be implemented from the first day of any given month following the budget announcement to alleviate administrative burdens on taxpayers. As per the National Budget Speech, indications are that the effective date will be on 1 April of each year. Furthermore, the submission highlights key concerns, including the high excise duty rates on spirits compared to other alcohol categories, the potential ineffectiveness of these rates in reducing consumption, and the risk of driving consumers to the illicit market.

Our submission further addresses the proposal for minimum unit pricing, cautioning against government interference in commerce, and includes reconsideration of this policy. The government will hold public consultations on the new excise framework in 2025. In the interim, considering that the details of the new alcohol excise taxation framework will be finalised only after the 2025 Budget, the government proposes to increase excise duties on alcoholic beverages by 6.83 per cent for 2025/26.

Members may access the submission here.

Legislative counsel publications

No legislative counsel publications were published by SARS in the week of 13 -19 February 2025.

Published court cases

No new court cases were published by SARS in the week of 13 -19 February 2025.

Other SARS publications and announcements

No other legislative publications or announcements were made by SARS during the week of 13 –19 February 2025.

OTHER MATTERS OF INTEREST FOR A TAX PRACTICE

SARS publishes Multilateral Instrument (MLI) synthesised texts for the following jurisdictions:

- Belgium
- China (People's Republic of)
- Egypt
- Russia
- Spain
- United Kingdom

Members are encouraged to peruse the above link for further information