TAXPRACTICE

WEEKLY HIGHLIGHTS

WEEK OF 6 – 12 March 2025
(Issue 09 -2025)

TABLE OF CONTENTS

TOP STORIES

Government unveils revised Tax Policy proposals, adjusting revenue forecasts and VAT increases at the second tabling of the National Budget

In a significant shift from earlier projections, on Wednesday, 12 March 2025, the South African government announced revised tax policy proposals aimed at raising an estimated R28 billion in additional revenue for the 2025/26 fiscal year and R14.5 billion in 2026/27. This contrasts with the original forecast of R58 billion, as outlined in Version 1 of the National Budget, which failed to be tabled on 19 February 2025.

Key proposals in the revised budget include a **0.5** percentage point **increase in the** VAT rate in both 2025/26 and 2026/27. The government's decision to introduce a gradual VAT hike is seen as a measure to balance fiscal needs without overwhelming consumers in a single year.

The government will not proceed with adjustments to personal income tax brackets and rebates. This means there will be no inflationary adjustments to personal income tax in 2025/26, contrary to expectations. Originally projected to raise R3 billion, this revision is now expected to generate R19.5 billion due to unimplemented adjustments.

There will also be no changes to medical tax credits. Additionally, there will be no alterations to the general fuel levy, Road Accident Fund (RAF) levy, or customs and excise levies.

Read more below.

SARS accepts revised revenue estimate for 2024/25 fiscal year

Following the tabling of the National Budget, SARS Commissioner Edward Kieswetter approved the revised revenue estimate for the 2024/25 fiscal year, which was increased to R1.846 trillion, up from the R1.841 trillion forecasted in last year's Medium-Term Budget Policy Statement (MTBPS). Despite challenging economic conditions, this revised estimate reduces the shortfall from R22.3 billion to R16.7 billion. The tax-to-GDP ratio and tax buoyancy ratios are expected to improve in the immediate.

SARS remains focused on enhancing compliance and improving tax collection efficiency through advanced technology, such as data analytics and artificial intelligence. The National Treasury has allocated additional funding to achieve this goal. While employment and consumption taxes are performing well, import taxes and fuel levies have underperformed, with fuel levy collections projected to fall short by R15.2 billion. Corporate income tax also saw a decline.

SARS has reiterated its commitment to strengthening its capabilities to combat tax crime and illicit activities, ensuring that all revenue due to the fiscus is collected to support the country's development goals.

Read the full media statement 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
taxassist@thesait.org.za

Approximately 500 – 1500 words

PART A: COMPLIANCE & SARS OPERATIONS

SAIT-SARS 'ON-THE-GROUND' ENGAGEMENT

SARS Releases Updated 2026 Employees' Tax Deduction Tables

As announced by the Minister of Finance in the National Budget Speech, the personal income tax brackets and medical tax credits will remain unchanged. From 1 March 2025, updated employees' tax (PAYE) deduction tables will apply, as per the Fourth Schedule to the Act. To assist employers with navigating these changes, SARS has released various guides on employees' tax to ensure smooth compliance.

The following guides on employees' tax have been published to assist employers in meeting their tax obligations:

- PAYE-GEN-01-G01 – Guide for Employers in respect of Tax Deduction Tables
- PAYE-GEN-01-G02 – Guide for Employers in respect of Fringe Benefits
- PAYE-GEN-01-G03 – Guide for Employers in respect of Allowances
- PAYE-GEN-01-G20 – Guide for Employers in respect of Employees' Tax for 2026

The relevant Annexures are also set out below:

- PAYE-GEN-01-G01-A01 – Weekly tax deduction tables
- PAYE-GEN-01-G01-A02 – Fortnightly tax deduction tables
- PAYE-GEN-01-G01-A03 – Monthly tax deduction tables
- PAYE-GEN-01-G01-A04 – Yearly tax deduction tables
- PAYE-GEN-01-G03-A01 – Rate per Kilometre Schedule

Members are urged to access the SARS Budget webpage for additional information.

Challenges with accessing the latest version of the Donations Tax Declaration Form (IT144)

Taxpayers have reported challenges with accessing the current IT144 form. In line with SARS's Strategic Objective 1, which aims to "*Provide **Clarity** and **Certainty** for taxpayers and traders of their obligations*", SARS has published the previous PDF version of the form to be used until the digital enhancements are being made.

The applicable version is available on the Donations Tax webpage. Herewith link to the IT 144 Declaration by donor/donee form.

Reminder on the submission of IT144 Donation Tax Returns

After donating, taxpayers are required to complete the Donations Tax Return (IT144) and ensure that the appropriate tax is paid. The following steps outline the process for submitting the IT144 donation tax return:

1. **Complete the IT144 return:** Ensure all necessary details regarding the donation are accurately filled in on the form.
2. **Make payment:** Submit the required payment via eFiling to comply with tax obligations.
3. **Submit documentation:** After completing the return and making the payment, submit the following documents:

- Completed IT144 return
- Proof of payment
- Any supporting documentation

Submission methods:

Depending on the category of the taxpayer, submission should be made to the appropriate SARS email address or branch:

- **Large business clients:** Send the required documents to lbcenquiries@sars.gov.za
- **High net worth individuals (HNW):** Use hnwiqueries@sars.gov.za.
- **Other clients (not classified as Large Business or HNW):** Submit to contactus@sars.gov.za.
- **Tax practitioners:** Send documents to PCC@sars.gov.za.
- **Physical submission:** Clients may also visit the nearest SARS branch to submit their documents in person.

It is crucial to ensure timely submission and compliance with SARS requirements to avoid any penalties or delays in processing. For further guidance, access the Donations Tax external guide.

Tax Directives: Interface Specification Version 6.802

SARS is preparing to implement enhancements to the Tax Directives process as indicated in the *IBIR-006 Tax Directives Interface Specification Version 6.802*.

To access the Tax Directives Interface Specification, the following steps should be followed:

1. **Visit** the www.sars.gov.za webpage.
2. **Navigate to the "Individuals" page** by accessing the top-most menu.
3. Select **"I want to get a tax directive"**.

SARS strongly recommends that you review IBIR-006 before proceeding with testing.

The trade testing dates are still to be confirmed and the software is scheduled for implementation in April 2025.

SARS has advised that specific dates for trade testing and implementation will be communicated as the time approaches.

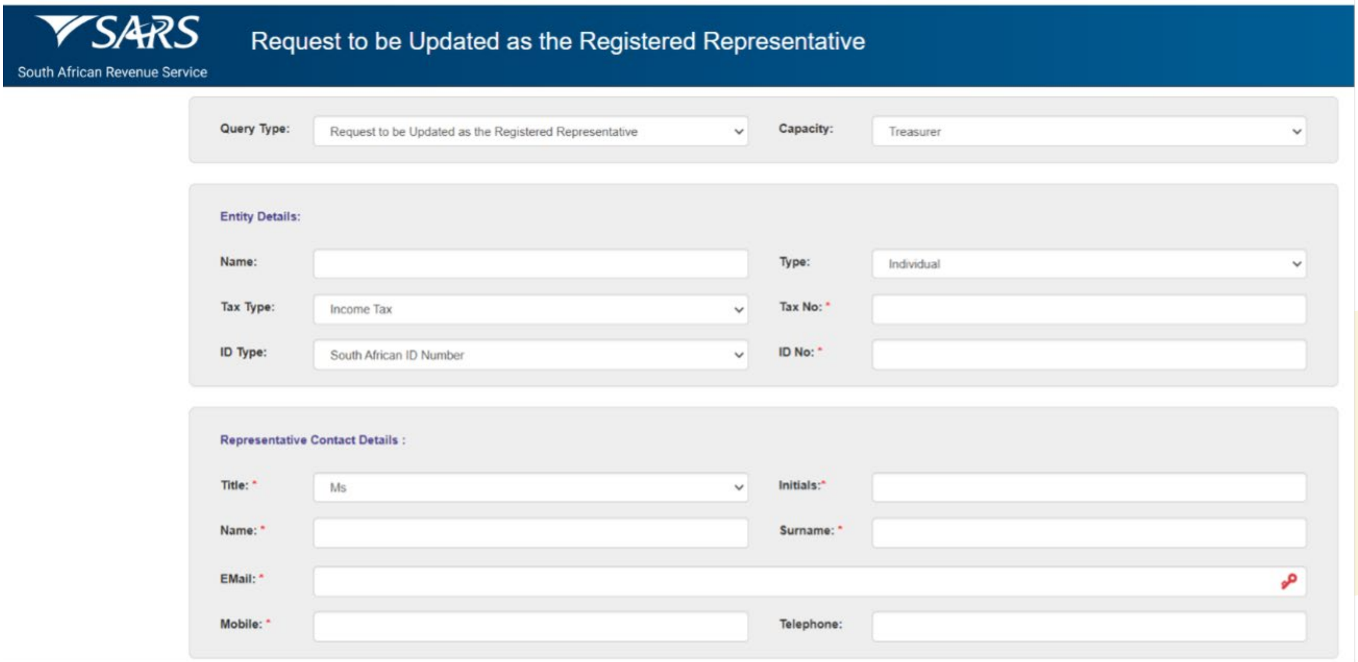
Reminder on Duplicate SARS RR Activation query types causing confusion

We have identified an issue affecting members attempting to activate their Registered Representative (RR) status on the SARS website. It appears that two different online RR activation query types remain active on the SARS platform, leading to confusion and complications for users.

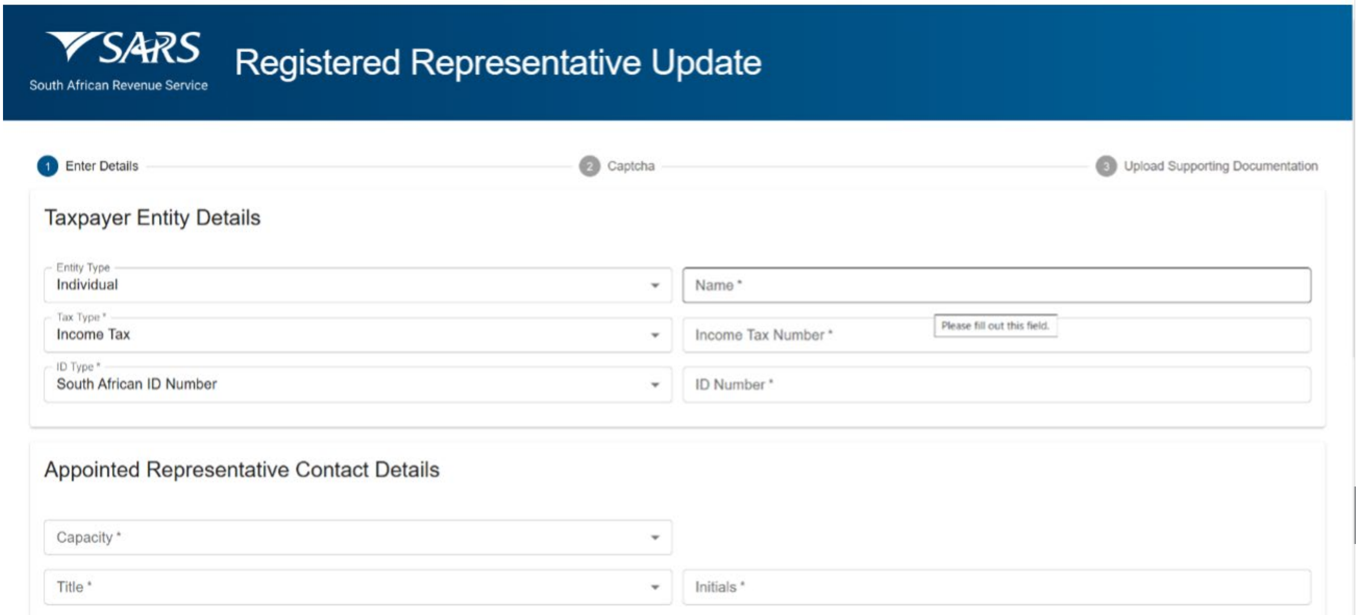
The two RR activation queries

SARS has two distinct online RR activation query options, both of which are still live:

1. **SOQS RR Activation Query**
   - Accessible via: SOQS RR Activation
   - Found on this SARS webpage: Registered Representatives



2. SARS Online Query System RR Activation
   - Accessible via: [SARS Online Query System]
   - This can be found by clicking the 'SARS Online Query System' banner on the SARS homepage.



The issue?

Some members have reported that after completing the **Registered Representative (RR) activation** process, they do not receive a **case number** upon submission. This issue occurs when requests are submitted via the **older SOQS system**, which remains active but has trouble generating case numbers.

If taxpayers and tax practitioners are experiencing difficulties, it may be due to using an outdated query submission system.

Recommended Action

- Ensure that you use the correct and up-to-date SARS Online Query System for RR activation.

- Ensure that supporting document submissions align with the correct case type.

We encourage members to be vigilant and double-check which system they are using. Should you encounter any further complications, please let us know so we can escalate accordingly.

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 intermittently submit their queries to the TaxHelpline by emailing helpline@thesait.or.za.

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.

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.*

<u>Feedback from the RCB/SARS regional and national meetings</u>

Feedback from the Free State and Northern Cape on 10 March 2025 and the Limpopo regional meeting held on 11 March 2025 will be made available in Issue 10 of the Tax Practice: Weekly Highlights.

Feeback from the previously held stakeholder and regional meeting may also be accessed below:

1. Western Cape regional meeting held on 05 March 2025

Upcoming RCB/SARS regional and national meetings

1. Eastern Cape – Gqeberha and Kareiga – 14 March 2025
2. Western Cape – 4 June 2025
3. Free State and Northern Cape – 9 June 2025
4. Eastern Cape – Gqeberha and Kareiga – 25 June 2025
5. Eastern Cape – Gqeberha and Kareiga – 13 August 2025
6. Free State and Northern Cape – 8 September 2025
7. Free State and Northern Cape – 10 November 2025 and
8. Eastern Cape – Gqeberha and Kareiga – 12 November 2025

<u>Other meetings of interest</u>

1. RCB Forum meeting- 3 June 2025;
2. RCB Forum meeting tentatively scheduled for 16 September 2025; and
3. RCB Forum meeting- 18 November 2025.

DAILY COMPLIANCE AND ADMINISTRATION

Due dates for reporting and payments: March 2025

Month	Date	Tax Type	Notification
March 2025	25/03/2025	Value-Added Tax	**VAT201 -** Manual submissions and payments
	31/03/2025	Value-Added Tax	**VAT201 -** Electronic submissions and payments

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

e@syFile™ Employer version 8.0.0_258 release notes

SARS has announced the release of **e@syFile™ Employer (Version 8.0.0_258)**, effective 28 February 2025.

This update improves the retrieval process by ensuring that only the **most current ETV report** is fetched for the relevant **PAYE reference** and **PoR**.

We encourage all users to update to the latest version. For more details, please access the release notes here and the guide here.

Reminder that SARS launched e@syFile™ Employer 8.0: Here's everything you need to know

SARS has introduced e@syFile™ Employer version 8.0, designed to enhance your filing experience. This new version will replace all previous versions of the software, effective **1 March 2025**. To ensure a smooth transition, employers are encouraged to download version 8.0 in advance and familiarise themselves with its new features.

Version 8.0 includes several enhancements to improve usability and efficiency:

- **Latest technology:** Developed with modern technology for improved performance and faster processing speeds.
- **Enhanced navigation & design:** A more intuitive user interface for easier data entry and navigation.
- **Simplified updates:** Updates are now modular, reducing update times and eliminating the need for a full reinstallation.
- **Quick access links:** New shortcuts to related functionalities, reducing the need to navigate multiple menus.
- **User management enhancements:** Improved user-maintenance functionality for adding/removing users and managing access restrictions.
- **Enhanced security:** Additional security measures to protect against unauthorised data access.

System requirements for e@syFile™ Employer 8.0

To install and run version 8.0 efficiently, your system must meet the following minimum requirements:

- **Operating system:** Windows 10 (64-bit)
- **RAM:** 8 GB
- **Hard drive space:** 2 GB (for installation on C:/ drive; additional space required as employer data increases)

Important information

- Employers with **50 employees or less** who are unable to upgrade their systems can still submit via **eFiling**.
- **Reconciliation data** from the current e@syFile™ Employer must be imported into version 8.0 for any required amendments.
- On **first-time login**, users must add recovery details to enable password recovery for the ADMIN account, ensuring access to version 8.0 if the password is forgotten. This password is solely for logging into the application and does not affect employer reconciliation data.

Why upgrade?

Upgrading to version 8.0 ensures access to the latest technology, improved processing speeds, enhanced security, and new features that make tax compliance more efficient. Employers are encouraged to upgrade their hardware to benefit fully from these advancements.

Other SARS and related operational publications and announcements

No other SARS and related operational publications were made during the week on 6 - 12 March 2025.

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 6 - 12 March 2025.

Key tax practitioner news

Reminder on the tax practitioner registration and compliance updates: 2025 SARS audit

It is that time of the year where membership compliance is under review and SAIT is conducting the annual SARS compliance Audit. The 2025 Compliance Audit commences in **March 2025**.

According to the Tax Administration Act, it is a prerequisite for individuals to register with both a Recognised Controlling Body (RCB) and SARS as a Tax Practitioner if they wish to provide tax-related services to taxpayers. RCB's are also required to manage their tax practitioner members' compliance with the registration requirements.

Mandatory SARS and practitioner compliance requirements

- Valid Tax compliance PIN (in your personal name) Good standing.
- Criminal-free status
- 2024 CPD hours
- Annual declaration forms

Various categories of membership compliance and registration information will be updated in this process. Part of the process includes updating PR numbers, as we have noticed members are relying on outdated alpha-numeric PR numbers. Members who are still using alpha-numeric PR numbers and those who do not have their PR numbers are classified by SARS as “ghost practitioners” and will be subject to deregistration at SARS. SARS requires all tax practitioners to activate and rely on their unique PR number.

As an RCB, SAIT is legally required to conduct a compliance audit of 20% of the entire membership body and report to SARS annually on the status of member compliance. SARS and SAIT randomly select a pool of tax practitioners to take part in this mandatory compliance audit. All candidates selected will be notified via email, telephone and SMS. Member responsiveness is highly encouraged.

Consequences of non-compliance

The KEY aim is to help members get compliant, stay empowered and avoid deregistration or SAIT membership downgrade to the unregulated Affiliate membership category. Although we achieved 94% compliance conversion strike rates in the previous audit, a total of 134 members remained non-compliant and were subsequently downgraded thus losing their practitioner status.

SARS deregistrations:

The number of tax practitioner deregistrations due to non-compliance with section 240(3)(d) of the Tax Administration Act (TAA), has seen an alarming uptick (over 30 deregistrations in 2025 already).

Compliance issues typically stem from lapses in tax obligations, failure to meet Continuing Professional Development (CPD) requirements or criminal activity. Practitioners must remain informed and compliant with SARS regulations to avoid deregistration, which can severely impact their professional standing and operational capabilities.

Kindly note that members who default on the above requirements will be suspended and reported to SARS for deregistration. Given that tax practitioner compliance is a statutory requirement, our consultants are here to assist but failure to respond to and comply with the audit may result in revocation of registration.

For any inquiries on the annual Tax Practitioner Audit, please contact the SAIT Legal and Compliance Department.

Government & stakeholder newsletters

Reminder that SARS published the February edition of its newsletters

On 21 February 2025, SARS published the latest editions of the Tax Practitioner and Government Connect newsletters. The newsletters cover the following topics:

- SARS is keeping your eFiling and tax information safe with biometrics
- Employer e@syFile Version 8.0
- Provisional Tax Payments
- Modernisation of Suspension of Payments for Trusts
- Requirements when taking a Selfie

Other tax practitioner access and functionality publications and announcements

- **10 March 2025:** SARS published the mobile tax unit schedules for the Limpopo for March 2025

PART B – LEGISLATION & POLICY

LEGISLATION, INTERNATIONAL AGREEMENTS & POLICY

Tax policy & international agreements

National legislation

Tabling of National Legislation

On 12 March 2025, the Minister of Finance introduced in the National Assembly, the following legislation:

- Revenue Laws Amendment Bill [B5—2025]

South Africa's Budget 2025: A shift in Tax Proposals from Version 1 to Version 2.

In a significant update to South Africa's 2025 Budget, the government has revised its tax policy proposals, offering a different approach compared to the initial version that was to be tabled on 19 February 2025. The changes reflect a more cautious and incremental strategy for raising revenue, with a focus on balancing fiscal needs and alleviating pressure on low-income households.

National Budget version 1 (19 February 2025)	National Budget version 1 (19 February 2025)
The tax proposals aimed to raise R58 billion in additional revenue for the 2025/26 fiscal year	The Government has scaled back its initial revenue target. The new tax policy proposals now aim to raise R28 billion in additional revenue for 2025/26, significantly lower than the original target
A key proposal was a sharp increase in the VAT rate, which was set to rise by 2 percentage points to 17%. This was set to raise R60 billion in 2025/2026	The VAT rate will increase by a more modest 0.5 percentage points in 2025/26, with another 0.5 percentage point increase planned for 2026/27. The revised incremental VAT increase will raise R13.5 billion in 2025/2026
Above-inflation increases in social grants, additional zero-rating of essential food items	No changes
Full inflation adjustment of the bottom two personal income tax brackets. Partial inflationary adjustments to the remaining tax brackets. This proposal was penned to raise R3 billion in revenue	No inflationary adjustments to personal income tax brackets and rebates for 2025/26. This decision is expected to generate R19.5 billion, a much higher figure than the R3 billion originally anticipated
The tax-to-GDP ratio is expected to increase marginally from 24.5 per cent in 2023/24 to 24.7 per cent in 2024/25	No changes
Debt-service costs will stabilise at 21.7 per cent of revenue in 2024/25 and decline thereafter	No changes
No adjustments to the general fuel levy, RAF levy and the customs and excise levy	No changes

Most noteworthy is that the Annexure C proposals that were originally tabled in the 2025 Budget Review (19 February 2025) remain unchanged. We set out a high-level overview of key proposals below:

Individuals, employment and savings

- Amending the definition of "remuneration proxy"
  - National Treasury proposes that the definition of "remuneration proxy" be amended to include amounts exempted under section 10(1)(o)(ii) of the Act.
- Closing loopholes in the ring-fencing of assessed losses
  - Currently, section 20A of the Act allows taxpayers below the highest tax rate to offset losses from certain trades against other income, creating a loophole. This results in significant revenue losses, as taxpayers can claim full refunds of employee taxes when those losses are allowed. To address this issue, it is proposed that the threshold for applying ring-fencing rules be reviewed and adjusted, ensuring more fairness in the tax system.

Business (general)

- Extending the anti-avoidance rules dealing with third-party backed shares
  - Currently, there are rules to prevent tax avoidance when dividends are received from preference shares backed by third parties. These rules treat such dividends as income, unless the money raised from these shares is used for a specific, qualified purpose. However, some businesses have found ways around these rules. To fix this, the government is considering additional measures to close these loopholes and ensure fairness in the tax system.
- Refining the definition of "hybrid equity instrument"
  - The government has noticed that some companies are using preference shares to get around rules designed to prevent tax avoidance. These rules were meant to stop businesses from combining equity and debt features to unfairly reduce their tax burden. To close this loophole, the government proposes revising the definition of "hybrid equity instrument" to ensure these anti-avoidance measures work as intended.

Corporate reorganisation rules

- Clarifying the rollover relief for listed shares in an asset-for-share transaction
  - It is proposed that the legislation be amended to align with the original policy intent and that the special rollover regime for listed shares be limited to shareholders holding less than 20% of the equity shares in the target company before the transaction.

Value Added Tax

- Reviewing the scope of the intermediary provisions
  - It is proposed that widening the intermediary provisions be expanded to include supplies facilitated on behalf of local suppliers.
- Reviewing the definition of "insurance"
  - In light of the Capitec Bank Limited Constitutional Court ruling, it is proposed that the definition of "insurance" be revised.

Tax Administration

- Customs voluntary disclosure programme
  - While the **Tax Administration Act** provides for a **voluntary disclosure programme**, it **excludes customs and excise**.
  - The government is proposing an amendment to the Customs and Excise Act to introduce a customs and excise voluntary disclosure programme.
- Clarifying the meaning of audit certificate to be issued by public benefit organisations

- Section 18A of the Income Tax Act requires donations to qualifying organizations to be supported by a receipt with specific details. There is confusion about what qualifies as an "audit certificate," therefore the government proposes to clarify the meaning to ensure the rules are followed correctly.

- Trustee's role as the representative taxpayer of the pre-insolvent person
  - An amendment is proposed to confirm that the liability of a trustee of an insolvent estate, in their representative capacity, also extends to any income received or accrued to the insolvent person prior to the sequestration of the estate.

- Clarifying "bona fide inadvertent error" for purposes of understatement penalties
  - The term "bona fide inadvertent error" has caused confusion, particularly since the Constitutional Court handed judgment in the Coronation case. This is because the definition mixes factual tests with taxpayer behaviour in a way that is not typically utilised in similar tax rules. To make things clearer, the government proposes linking this term directly with "substantial understatement" to better define its scope.

- Tax clearance status
  - The interaction between the current tax compliance status system and SARS' entity scoring model will be reviewed to determine if synergies in approach can be achieved.

Building SARS Capacity

Moving forward, the focus may well shift to building SARS' capacity to address the estimated R800 billion tax gap, focusing on improving taxpayer compliance and leveraging technology, such as artificial intelligence and data science, to enhance the efficiency of tax collection. Over and above the funding allocated in 2023, the 2024 Budget and MTBPS allocated significant funding to enhance SARS' ability to collect revenue and manage capital projects. An additional R1 billion per year for 2024/25 and 2025/26, plus R500 million in 2025/26 and R1.5 billion annually from 2026/27 to 2027/28, will strengthen its infrastructure and operations. The National Treasury will continue to work closely with SARS, adjusting funding as needed to support priority projects and ensure effective implementation, driving growth in revenue collection. Cumulatively, the total funding that will be allocated to SARS is said to be in the region of R7 billion in the upcoming financial years. The National Treasury will continue to work closely with SARS, adjusting funding as needed to support priority projects and ensure effective implementation, driving growth in revenue collection.

Members are encouraged to review the 2025 National Budget Review and associated documentation here, to gain a comprehensive understanding of the full scope of the proposed measures.

Furthermore, the revised and final Tax Pocket Guide may be accessed here.

LEGISLATIVE INTERPRETATION

Submissions made to SARS and current calls for comment

No submissions in response to legislative calls for comment were made in the week of 6 – 12 March 2025.

Legislative counsel publications

SARS publishes next update to the Average Exchange Rates

On 10 March 2025, SARS published the Average Exchange Rates, as prescribed by the Act.

The Act prescribes that specific foreign currency amounts must be converted into South African rand using the applicable average exchange rate. This rate ensures consistency and accuracy in how foreign earnings or expenses are reported for tax purposes.

For ease of compliance, the South African Reserve Bank publishes weighted average exchange rates, which are derived from the foreign exchange transactions of commercial banks. On 10 March 2025, SARS released an update to the Average Exchange Rates, which providing taxpayers with a reliable source for determining the correct average exchange rate when required by the Act.

The next update will be published in **June 2025**.

For ease of reference, updates have been made to the following:

- Table A – A list of the average exchange rates of selected currencies for a year of assessment as from December 2003
- Table B – A list of the monthly average exchange rates to assist a person whose year of assessment is shorter or longer than 12 months

Published court cases

No new court cases were published in the week of 6 – 12 March 2025

Other SARS publications and announcements

No other legislative publications or announcements were made by SARS during the week of 6 - 12 March 2025.

OTHER MATTERS OF INTEREST FOR A TAX PRACTICE

No other matters of interest for a tax practice were published by SARS during the week of 6 - 12 March 2025.

sait South African Institute of Taxation

SAIT Technical
(T) 012 941 0412
(E) taxassist@thesait.org.za