

# TAXPRACTICE

## WEEKLY HIGHLIGHTS

WEEK OF 02 - 08 October 2025  
(Issue 38 -2025)

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### TOP STORIES

#### SARS Responds to OTO Draft Report on eFiling Profile Hijacking

SARS has acknowledged the OTO's draft report on eFiling profile hijackings and reaffirmed its commitment to protecting taxpayer information.

SARS noted that many of the OTO's recommendations align with measures already implemented through its modernisation programme. These include stronger authentication protocols, enhanced fraud detection, improved refund verification, and closer collaboration with banks, the CIPC, and SAPS.

SARS recognises the OTO as a vital partner in safeguarding and promoting the integrity of South Africa's tax and fiscal systems. Constructive cooperation between SARS and the OTO is essential to the effective functioning of the country's tax ecosystem. In this regard, SARS will, like other interested stakeholders such as SAIT, provide input on the draft report. SARS is confident that its contribution will further strengthen public confidence in the security and reliability of its electronic platforms.

Recognising that cybercrime remains an evolving threat, SARS continues to invest in the security of its digital platforms and to review systems in line with its five-year strategic plan. SARS believes that "any compromised profile is one too many" and urged taxpayers to safeguard their confidential details and use only official, secure SARS platforms.

Further details are available in the [full media release](#) on the SARS website. Members are encouraged to study the OTO's media statement and draft report [here](#).

#### Expedited Rapid Compromise Mechanism unveiled to fast-track tax regularisation

Members are reminded that SARS, in collaboration with RCBs, has launched the Expedited Tax-Debt Compromise Process – a major relief initiative aimed at helping taxpayers settle non-disputed tax debts older than 12 months.

The process officially opened on Wednesday, 1 October 2025, and is available to tax practitioners registered with SAIT. SARS has committed to resolving qualifying applications within just four weeks, thanks to dedicated teams and upgraded workflow systems. To help you fully understand what this means in practice – who qualifies, how to apply, and how to maximise this opportunity for your clients – we are excited to announce a special engagement in collaboration with SARS. SAIT will host a joint webinar with SARS' Head of Specialised Debt Management, Mr. Clement Manyapelo as we unpack the intricacies of this Expedited Compromise Process. Join us on Friday, 17 October 2025 at 10:00 – 11:00.

Do not miss this opportunity to get firsthand insights, ask your burning questions, and hear directly from the Head of Specialised Debt Management on how this game-changing process can support your debt relief and compliance efforts.

Read more [below](#) regarding the criteria of eligibility and additional information.

***#StayAbreastOfTheTaxWave***

## MEMBERS' DIGEST

### Passive Income

Written by: Conrad Viljoen,  
CEO of CTV & Associates



These days with the struggling and staggering economy, we can no longer only rely on one stream of income. Yes, it is not always possible, but whether the option arrives we should all jump on the passive income train.

Passive income is defined as income from a source that does not require much effort unlike working a 9 to 5 and receiving a monthly salary that is loosely based on your daily efforts. Passive income can basically be anything that generates an extra income other than your monthly salary like returns on investments, property rentals, digital workings, etc.

Now when we only look at the positive side of having extra income, it all seems glorious in the sense of things, but unfortunately, we have to place this in a TAX angle.

Tax is quite a complex, law driven concept spanning over many branches of today's life, but for now let's keep it simple by using the rental of property and the tax effects it has in a passive income scenario.

Let us first get an understanding of normal tax on our salary. Your employer calculates and deducts PAYE on your salary every month. The PAYE is calculated by assuming your salary is your only income for the year and is deducted to be exactly enough according to SARS.



Mr. Viljoen, CEO at CTV & Associates describes this principle as follows:

If you look at this picture, all the eggs in the basket are your yearly salary and the two eggs placed outside of the basket, that is your tax that was deducted to be perfectly enough for eggs in the basket.

You are now also earning rental income from the letting of fixed property. When you are earning rental income you will earn a monthly rental income, before any other expenses are disbursed. There are certain expenses that we can deduct from the gross rental income such as agent commission, electricity, finance on the bond and other expenses, depending on your specific scenario. This whole exercise will give you a yearly net profit (gross income minus applicable expenses) that must now be included in your total yearly income. Your **total yearly income** will now consist of your yearly salary as well as the net rental profit. Let us now compare that to the previous image of the eggs in the basket:



As we now can clearly see that the amount of eggs in the basket (income) has increased significantly, but the eggs outside of the basket (PAYE tax) has remained the same. This is a common misconception that all new passive earning taxpayers' encounter.

We, as taxpayers, are taxed on a cumulative yearly basis considering all our income for that specific year. When earning any passive income, you must keep in mind that the income received is usually before any tax has been calculated and taken out of the basket.

This can cause some major and sudden cashflow problems when it comes down to submitting your yearly taxes. If this situation applies to you, it's important to seek professional guidance to ensure the correct approach is followed.

# 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](mailto:taxassist@thesait.org.za).

Approximately 500 – 1500 words

# PART A: COMPLIANCE & SARS OPERATIONS

## SAIT-SARS 'ON-THE-GROUND' ENGAGEMENT

### SARS Publishes Educational Video on Deregistration of Non-Compliant Tax Practitioners

SARS has released an educational video aimed at informing taxpayers and tax practitioners about the deregistration process for non-compliant tax practitioners. The video provides clear guidance on the procedures and requirements involved.

Tax practitioners are encouraged to watch the video to gain a better understanding of compliance expectations and the deregistration process.

The video is available for viewing on the SARS YouTube channel [here](#).

### Enhanced Security of SARS Email Correspondence

SARS has introduced enhanced encryption and identification measures, effective 3 October 2025. These changes apply to emails containing PDF attachments, such as the Notice of Registration (IT150) and Statement of Account (SOA) in respect of Personal Income Tax (PIT).

#### Key Enhancements

- The PDF file names will partially mask the Tax Reference Number.
- The body of the email will include the taxpayer's initial/s and surname.
- The Statement of Account PDF attachment will now be password protected.

Members can read more about the enhancements [here](#).

### SARS Enhances Digital Services with Upgraded Lwazi AI Assistant

SARS has expanded the reach of its *Lwazi Artificial Intelligence (AI) Assistant*, now accessible via both the SARS website and the SARS MobiApp. The upgraded AI assistant is designed to provide taxpayers with immediate support on a range of services, including the retrieval of tax reference numbers, statements of account, notices of assessment, and the status of audits or refunds.

The enhanced Lwazi AI Assistant places a strong emphasis on accessibility, ensuring that services are easier to use for all taxpayers, including those with visual impairments. This development reflects SARS's ongoing commitment to delivering efficient, secure, and user-friendly digital services.

The deployment of the upgraded Lwazi AI Assistant is expected to streamline taxpayer interactions, enabling users to obtain accurate information without delay and reducing the need for in-person service visits.

### Awareness of the SARS Online Query System

SARS has released a comprehensive [step-by-step video](#) demonstrating the capabilities of the SARS Online Query System (SOQS). The system enables taxpayers to submit and manage their queries digitally, offering a convenient alternative to visiting branch offices.

## Reminder: Expedited Rapid Compromise Mechanism unveiled to fast-track tax regularisation

As mentioned above, in a move to support greater voluntary compliance, SARS is rolling out a more accessible Compromise Process under the Tax Administration Act. This streamlined approach is designed to help taxpayers settle outstanding debts in a manageable way — and SARS is working closely with Recognised Controlling Bodies (RCBs) and tax practitioners to make it happen.

**Phase 1 kicked off on 26 September 2025**, with tax practitioners invited to express interest on behalf of qualifying clients.

**Formal applications opened from 1 October and close on 31 December 2025.** This is a crucial opportunity for individuals and businesses to get their tax affairs in order — before enforcement catches up.

Key Features of the Initiative are as follows:

- The requirements of Part D of Chapter 14 of the TA Act must be met.
- The expedited compromise process will only be available in respect of tax debts -
  - that have been outstanding for more than 12 months at the time of application.
  - that are not subject to active dispute resolution processes.
  - that are not as a result of a criminal investigation process contemplated in section 43 of the TA Act; and
  - where the relevant taxpayer is not subject to business rescue and where applicable, liquidation procedures.
- All required supporting documentation must be submitted at the time of submission.

SARS commits has indicated that it aims to resolve qualifying applications within four weeks of receipt of a complete application.

Should you wish to take part in this programme and regularise your tax affairs the correct channel to express your interest in the expedited debt compromise process should be sent exclusively to the dedicated email address: [Compromisecampaign@sars.gov.za](mailto:Compromisecampaign@sars.gov.za). Alternatively, you are welcome to contact SAIT directly at [ksesana@thesait.org.za](mailto:ksesana@thesait.org.za), and your request will be redirected accordingly.

## Reminder: The Tax Ombud tables her preliminary findings on eFiling profile hijacking activities

The OTO has released a draft report from its systemic investigation into the growing problem of eFiling profile hijacking—and the findings raise cause for concern. Tax practitioners have emerged as the primary targets, with nearly half of all reported incidents directly impacting our community of tax practitioners.

The report uncovers how cybercriminals are exploiting weaknesses in SARS' digital systems to unlawfully access and hijack eFiling profiles. These security breaches often lead to financial losses, exposure of sensitive client data and result in heavy administrative fallout for both taxpayers and practitioners.

While the OTO acknowledges that SARS has made strides in strengthening its digital security, the report concludes that major risks remain—particularly for those acting on behalf of clients. SAIT has in the past on numerous occasions raised this issue to SARS as well as the OTO, on behalf of our members.

Key Findings are summarised below for ease of reference.

- **Tax practitioners are mostly affected**
  - eFiling profile hijacking is most prevalent among tax practitioners (48.3% of cases). Practitioners are targeted due to their access to multiple taxpayer accounts, making them high-value targets.
- **Personal Income Tax and VAT are the most vulnerable tax types**
  - Most incidents of eFiling profile hijacking involve PIT, followed by VAT. Individuals are more susceptible due to weaker digital security and less awareness of online threats.
- **Fraud amounts are generally below R10,000**
  - Most fraudulent transactions are under R10,000, but a significant number fall between R10,000 and R100,000. It has been determined that eFiling profile hijackers appear to deliberately keep refund claims below audit thresholds to avoid detection.
- **Authentication and security weaknesses**
  - Weak authentication systems, delayed implementation of two-factor authentication (2FA), and limited use of biometrics have been identified as weakness that have been prone to create vulnerabilities.
- **Slow fraud detection and response**
  - SARS relies heavily on taxpayer-initiated reports rather than proactive, automated fraud detection. Based on taxpayer feedback, investigations often take months or even years, allowing fraud to go undetected and unresolved.
- **Ineffective communication and support**
  - Taxpayers and practitioners face poor communication, lack of updates and limited support from SARS when trying to resolve hijacking cases. Inter alia 89% of survey respondents rated SARS' fraud response as ineffective and unhelpful.
- **Syndicated fraud via CIPC Changes**
  - The draft report outlines that syndicated VAT fraud often starts with unauthorised changes to company directors at the Companies and Intellectual Property Commission (CIPC), enabling fraudsters to take control of company tax profiles and submit fraudulent claims.
- **SAPS and banking institutions involvement**
  - Victims report that South African Police Service (SAPS) stations often cannot categorise or escalate tax profile hijacking cases. Survey responders have indicated that fraudsters frequently open accounts with digital banks to receive fraudulent refunds. Common case has been established which these banks are.
- **Alleged internal fraud and insider threats**
  - Survey respondents have indicated concerns about possible insider involvement within SARS, that contributes to profile hijacking and fraudulent refund processing.

The draft report presents key recommendations to SARS, with a strong focus on protecting tax practitioners. These aim to strengthen security, improve fraud response, and enhance support for those most affected by eFiling profile hijacking. A synopsis of these has been set out below:

- **Strengthening authentication and access controls:** such as effecting mandatory enforcement of two-Factor authentication for all users, including tax practitioners, with graded 2FA based on risk level.
- **Enhancing biometric verification:** to all profiles and key changes (e.g., banking details, tax representative changes).
- **Enhancing fraud detection and prevention while balancing service efficiency, such as implementing real-time alerts:** to both taxpayers and tax practitioners for high-risk changes (banking details, practitioner details, company directors).
- **Improving eFiling profile security and access:** by giving taxpayers and practitioners access to detailed login history—including IP address, device, and location—to help detect suspicious activity early. Furthermore, introducing an optional “profile lock” feature during high-risk periods (e.g., tax season) to prevent unauthorized changes. This is particularly valuable for practitioners managing multiple client profiles.

- **Strengthening refund controls to:** automatically hold refunds for further verification when banking details are changed shortly beforehand, to reduce the risk of fraud. Furthermore, to implement alerts for suspicious refund activity, such as transactions processed after hours or to newly added bank accounts—especially for practitioner-managed profiles.
- **Enhancing case management and communication from SARS:** by providing clear timelines and regular updates to taxpayers and practitioners during fraud investigations. And to fast-track the recovery process for locked practitioner accounts, as delays directly affect client service delivery.

As stated at the public engagement on 29 May 2025, the OTO is calling for public input on the draft findings. The South African Institute of Taxation (SAIT) is reviewing the report and will share further insights soon. Members are also encouraged to send their concerns and comments hereon to [technical@thesait.org.za](mailto:technical@thesait.org.za) by no later than 17 October 2025.

Members are encouraged to read the full draft report [here](#).

## 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](#).

The most urgent escalations this week include:

1. Delays in finalising and payment of refunds.
2. Delays in finalising tax number deregistration's.
3. Delays in finalising registration of tax types.
4. Delays in finalising income tax verifications.

SAIT continues to engage with SARS at both regional and national levels on a case-by-case basis regarding the escalations mentioned above. Feedback is communicated directly to the affected members as appropriate.

## 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

No regional or national meetings were held during the week of 2 – 8 October 2025.

## Upcoming RCB/SARS regional and national meetings

1. Free State and Northern Cape – 10 November 2025 and
2. Eastern Cape – Gqeberha and Kariega – 12 November 2025
3. North West – 17 November 2025
4. Western Cape – 19 November 2025
5. Gauteng – 20 November 2025

## 6. Northern Region – 1 December 2025

### Other meetings of interest

1. RCB Forum meeting – 11 November 2025;
2. SARS National Operational Forum – 20 October 2025; and
3. SARS National Operational Forum – 20 November 2025.

## DAILY COMPLIANCE AND ADMINISTRATION

### Due dates for reporting and payments: October 2025

| Month        | Date       | Tax Type         | Notification                                                                                                                                            |
|--------------|------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| October 2025 | 07/10/2025 | Employment Taxes | <b>EMP201</b> - Submissions and payments                                                                                                                |
|              | 20/10/2025 | Income Tax       | <b>ITR12T</b> - Opening of Trust Filing Season                                                                                                          |
|              | 22/09/2025 | Income Tax       | <b>ITR12</b> - Submission due date for a return that is submitted electronically through the assistance of a SARS official at a SARS office or manually |
|              | 20/10/2025 | Income Tax       | <b>ITR12</b> - Submission due date for a return for nonprovisional taxpayers and is submitted by using the SARS eFiling platform                        |
|              | 24/10/2025 | Value-Added Tax  | <b>VAT201</b> - Electronic submissions and payments                                                                                                     |
|              | 31/10/2025 | Other            | <b>Third-Party Data IT3</b> - End of third-party annual submissions for Trusts                                                                          |
|              | 31/10/2025 | Employment Taxes | <b>EMP501</b> - End of employer interim reconciliation submissions                                                                                      |
|              | 31/10/2025 | Value-Added Tax  | <b>VAT201</b> - 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

No key operational news was identified during the week of 2 - 8 October 2025.

### Other SARS and related operational publications and announcements

No other SARS and related operational publications and announcements were noted during the week of 2 - 8 October 2025.

## TAX PRACTITIONER MANAGEMENT

### SAIT TaxHelpline – Tax practitioner access and functionality (eFiling)

On 8 October 2025, SARS published the e@syFile™ Employer version 8.0.1\_325 release notes which specify the following changes:

- Correction made for users experiencing 'Packet loss' popup during submission.
- Correction made for users experiencing 'An error occurred' pop-up when requesting pre-pop data.
- Enhancements made to AA88 processing.
- Enhancement made to large import files, resulting in a time-out pop-up.
- Correction made to restrict the option to only generate all PDF certificates for the 02 Reconciliation.

See more detail in the [release notes](#).

### Key tax practitioner news

### Government & stakeholder newsletters

### Reminder that SARS Published Issue 9 of the Tax-Exempt Institutions Connect

The September 2025 issue of SARS's Tax Exempt Institutions Connect newsletter was issued on 30 September 2025.

This issue outlines key compliance requirements for income tax exempt institutions (EIs), particularly trusts. It highlights critical deadlines for submitting IT12EI annual returns and third-party data (IT3(d) and IT3(t)), emphasizes the importance of updating registered details within 21 business days, and provides best practices for communicating with SARS via email. The newsletter also stresses the need to use registered tax practitioners and offers a five-part micro-learning video series to assist EIs in completing their returns via eFiling.

You can access the full newsletter [here on the SARS website](#).

### Other tax practitioner access and functionality publications and announcements

**2 October 2025** – The East London [mobile tax unit schedule](#) for October and November 2025 is now available.

**2 October 2025** – The Mthatha [Circus Triangle Mall pop-up branches](#) for October 2025 is now available.

# PART B – LEGISLATION & POLICY

## LEGISLATION, INTERNATIONAL AGREEMENTS & POLICY

### Tax policy & international agreements

#### National Legislation

#### **Reminder that SAIT and Work Groups Submitted Comments on Draft Tax Bill Amendments**

After three days of intense and thought-provoking debate, the National Treasury and SARS workshops on the Draft Taxation and Tax Administration Laws Amendment Bills concluded on 25 September 2025. Key issues that sparked robust discussion, are inter alia the proposed removal of the Section 10(1)(gC)(ii) exemption on foreign pensions, to clarifying SARS' stance on bona fide errors, equity share definitions and the threshold for ring-fencing assessed losses. The definition of "interest" under section 23M also came under scrutiny, as stakeholders pushed for greater clarity and certainty.

SAIT will now represent these views before the Standing and Select Committees on Finance on 14 and 15 October. Once Treasury releases its response document, our technical team will dive into a detailed analysis to track which recommendations were accepted—and why.

As a reminder, on 12 September 2025, SAIT, together with the various technical workgroups, submitted commentary to National Treasury and SARS in response to the 2025 Draft Tax Bills and Draft Regulations that were issued for public comment on 16 August 2025.

Brief excerpts from the prepared commentary are set out below:

#### **Corporate tax:**

##### ***Extending the anti-avoidance rules dealing with third-party backed shares***

The commentary highlights concern that extending the anti-avoidance rules on third-party backed shares may be too broad as the DTLAB now references "the year of assessment or previous years of assessment," meaning a share remains tainted even if a guarantee is later removed, and therefore recommends carve-outs for legitimate commercial transactions, including intra-group disposals, with no retrospective application.

##### ***Clarifying the determination of Contributed Tax Capital***

Notwithstanding the proposals made, the WG has noted that the proposed amendment remains too narrow and continues to create challenges in tiered group structures where equity injections flow through multiple entities, calling for broader concessions.

##### ***Roll-Over Relief for Listed Shares in Asset-For-Share and Review of Asset-for-Share and Amalgamation Transactions Involving Collective Investment Schemes***

The denial of roll-over relief for listed shares and CIS transactions is flagged as potentially undermining legitimate commercial deals and discouraging investment, with a recommendation to distinguish between closely held and widely held CIS's and to retain relief for widely held schemes under regulatory oversight.

### ***Refining and clarifying the meaning of “interest” to enhance certainty.***

We are of the view that the use of inconsistent definitions of “interest” creates uncertainty, with a call for either removing the definition entirely or ensuring parity to achieve clarity and predictability.

### ***Amending the definition of “remuneration proxy”***

Amending the definition of “remuneration proxy” to include exempt foreign income from the previous year could increase taxable values for fringe benefits, though no significant concerns beyond this were raised.

### ***Reducing the threshold for ring-fencing of assessed losses***

In response to the proposal to reduce the threshold for ring-fencing assessed losses, the group expressed strong concerns that such a measure would disproportionately affect middle-income taxpayers, create excessive verification burdens, and penalise genuine entrepreneurial activity. The group recommended instead that carve-outs, safe harbours, and a more targeted application be considered.

### ***Cross-border tax treatment of retirement funds***

The proposed repeal of the exemption for foreign retirement fund benefits, could result in double taxation, discourage repatriation of skilled professionals and deter foreign retirees. We therefore recommend that transitional relief, carve-outs and a deferred effective date be considered.

### ***Proposed amendments to the Fourth Schedule regarding employer registration for groups of companies***

We noted the amendment requiring non-resident employers with a South African permanent establishment to register for and deduct PAYE. However, the misalignment between the SDL and UIF provisions and the Fourth Schedule remains unresolved, and in our view, the issue still lacks clarity. Consequently, clarification was requested on proposals for group employer registration under the Fourth Schedule.

### ***Refining the definition of “equity share” to cater for transfers by foreign companies***

The proposed revision of the definition of “equity share” to explicitly include foreign shares could create unintended consequences, as it implies that since 2012 such shares were not regarded as equity shares, thereby disqualifying them from important exemptions and reliefs. Resultantly, the WG has proposed that the amendment apply retrospectively or be framed as a clarification, with further adjustment to limit the “return of capital” reference to foreign returns only.

### ***Interaction of Controlled Foreign Company (CFC) rules in section 9D with section 9H***

The proposal is acknowledged as a correction of a legislative gap but raises concerns that this amendment may penalise taxpayers with CFCs in high-tax jurisdictions, suggesting instead that foreign taxes be recalculated on a comparable basis to avoid unfair outcomes.

### ***Refining deferral of exchange difference rules on debt between related companies***

The proposed amendment to refine deferral of exchange difference rules on related-party debt was found to be ambiguous and at risk of reversing the intended treatment, with a recommendation to clarify the language by referencing non-current assets or liabilities directly.

## ***Request for clarification over growing dependence on IFRS in tax legislation***

The WG's have expressed concern regarding the growing dependence on IFRS in tax legislation, as reliance on accounting standards that can change without tax authority input may shift tax outcomes away from legislative certainty. We will seek clarity on this policy direction from both National Treasury and SARS.

## ***Amendment to Section 164 – Suspension of Payment and Reduced Assessments***

The proposed amendment to Section 164 recognises the interplay between reduced assessments and suspension of payment provisions, which is welcomed as a positive development. However, several concerns are raised regarding the practical misalignment between the timelines for reduced assessments, objections, and suspension of payment requests. The WG therefore recommends leveraging SARS's recent eFiling enhancements to automate and align these processes, ensure reduced assessment applications are integrated with suspension of payment requests, and provide clear guidance on how these provisions will apply in practice.

## ***Amendment to Section 222/223 – Bona Fide Inadvertent Error and Substantial Understatement***

We recommend retaining the current provisions of section 223 and upholding the judicial interpretations from the Coronation and Thistle Trust cases, which provide a fair and balanced framework for applying understatement penalties by recognising taxpayer intent and reliance on professional advice. Further points include that the defence of bona fide inadvertent error should be uncoupled from the "substantial understatement" category. A formal tax opinion should not be mandatory for all errors, particularly minor or clerical ones. Given the complexity of tax legislation, the proposed amendments risk eliminating access to meaningful defences—even in cases of good-faith errors—leaving taxpayers unfairly exposed.

## ***Reviewing the VAT treatment of testing services supplied to non-residents who are outside the Republic at the time of the supply, where services are supplied directly in connection with movable property situated in the Republic.***

We have reviewed the VAT treatment of testing services supplied to non-residents who are outside South Africa at the time of supply, particularly where such services relate to movable property. Concerns were raised regarding the current zero-rating criteria—specifically the exclusion where the foreign recipient is a vendor. This may unintentionally disqualify legitimate zero-rated services, even where there is no link to goods sold. We recommend that the legislation clarify the underlying intent of this provision to address the perceived mischief more clearly. Further concerns relate to the linkage between zero-rating and the supply of goods, particularly where goods are destroyed during testing or are not owned by the service provider. These scenarios could give rise to technical challenges, and greater clarity is needed. Finally, we recommend introducing a definition of "testing services" in the VAT Act to avoid interpretational ambiguity and prevent misuse by vendors attempting to include unrelated services under this category.

## ***Reviewing the definition of "insurance"***

We recommend aligning the VAT definition of "insurance" with that in the Insurance Act, limiting it to contracts issued by registered insurers. This would enhance legal certainty, prevent abuse, and exclude unregulated arrangements such as indemnities or guarantees that do not meet regulatory standards. We support the policy objective of clarifying the definition but stress the importance of consulting industry stakeholders to ensure it remains practical and does not unintentionally exclude legitimate products.

Members may access the full submissions (including Carbon Tax and extensive commentary on Customs) made by each workgroup, [here](#).

## LEGISLATIVE INTERPRETATION

### Legislative calls for comment

No legislative calls for comments were noted during the week of 2 - 8 October 2025.

### Submissions made to SARS and current calls for comment

#### **SAIT Submits Comments on Draft Customs Rule Amendments under Sections 40, 41 and 120**

SAIT has provided detailed comments to SARS on the draft amendments to the [Customs and Excise Rules under sections 40, 41 and 120](#) of the Customs and Excise Act, 1964. The proposed rules aim to clarify the procedure for adjusting bills of entry where transfer pricing adjustments affect the declared customs value.

The full submission can be accessed on [SAIT's website](#).

### Legislative counsel publications

#### **SARS Releases Updated Binding General Ruling (VAT) 4 (Issue 5)**

SARS has issued [Binding General Ruling \(VAT\) 4 \(Issue 5\)](#), which provides updated guidance on the apportionment methodology to be applied by municipalities under section 17(1) of the Value-Added Tax Act, 1991. This latest issue sets out the prescribed formula that municipalities must use to determine the extent to which input tax on mixed expenses may be deducted, ensuring a consistent and equitable approach to VAT recovery.

The ruling clarifies how municipalities should apply the apportionment ratio when dealing with multiple income streams, such as taxable, exempt, and out-of-scope supplies, and outlines the specific exclusions and adjustments to be considered when applying the formula. These include exclusions for capital assets, extraordinary income, certain foreign exchange differences, and municipal bond issues, as well as adjustments for investment interest, dividends, and foreign exchange hedging transactions.

Further, the BGR provides detailed interpretive notes on the treatment of grants, principal-agent relationships, and accounting basis requirements, ensuring alignment with the Standards of Generally Recognised Accounting Practice (GRAP). It also reinforces the requirement that municipalities must use a method that is both fair and reasonable, and where this is not the case, an alternative method must be approved by the Commissioner. The ruling applies to all financial years commencing on or after 1 July 2025, replacing the methodology outlined in Issue 3. Transitional provisions have been included to assist municipalities in adjusting from the prior formula.

Members are encouraged to review [BGR 4 \(Issue 5\)](#) in detail to ensure correct application of the updated apportionment methodology, accurate VAT reporting, and compliance with SARS's requirements.

Consequently, the previous version of this ruling has been archived, and municipalities may consult the archived BGR 4 (Issue 4) to analyse the amendments implemented in this latest issue.

## SARS Releases Updated Binding General Ruling (VAT) 4 (Issue 4)

SARS has issued [Binding General Ruling \(VAT\) 4 \(Issue 4\)](#), effective for all financial years commencing on or after 1 July 2025. This updated ruling prescribes the apportionment methodology to be applied by municipalities under section 17(1) of the Value-Added Tax Act, 1991, to determine the portion of input tax that may be deducted in respect of mixed expenses.

The ruling provides a detailed formula that municipalities must apply when calculating the apportionment ratio between taxable, exempt, and out-of-scope supplies. It also introduces specific exclusions (such as capital assets, extraordinary income, municipal bond issues, and certain foreign exchange differences) and adjustments (for example, for investment interest and dividend income) to ensure a fair and accurate reflection of VAT recoverability. The BGR further outlines general notes on the application of the formula, including guidance on the treatment of grants, unfunded mandates, agency arrangements, and the use of financial data on an invoice basis in line with GRAP standards.

Importantly, municipalities must ensure that the chosen method remains fair and reasonable for their operations. If not, they are required to apply to the Commissioner for approval of an alternative apportionment method. The ruling also provides transitional rules, clarifying that Issue 3 of BGR 4 has been withdrawn and replaced by the new formula for financial years beginning on or after 1 July 2025.

Members are encouraged to review [BGR 4 \(Issue 4\)](#) carefully to ensure correct application of the VAT apportionment methodology, compliance with SARS requirements, and timely adjustments and reporting in their VAT201 returns.

## Reminder that SARS released updated Interpretation Note 119 (Issue 2)

SARS has issued [Interpretation Note 119 \(Issue 2\)](#), providing updated guidance on the deductibility of expenditure incurred on improvements to land or buildings that are not owned by a taxpayer, under sections 12N and 12NA of the Income Tax Act.

The [Interpretation Note](#) clarifies when taxpayers who hold only a right of use or occupation rather than ownership, may still be deemed owners for tax purposes, enabling them to claim capital allowances on improvements made under Public Private Partnerships (PPPs), leases with government entities, or specified state-related arrangements. It provides clear direction on the requirements for such deductions, including the treatment of obligatory versus voluntary improvements, how expenditure is recognised, and how allowances must be calculated and claimed over time.

Importantly, the [Interpretation Note](#) outlines exclusions, such as taxpayers conducting banking, financial services or insurance activities, and specifies circumstances under which sub-letting disqualifies a taxpayer — unless within the same group of companies and subject to strict conditions. It further explains the implications upon termination of use or occupation rights, including deemed disposals, potential recoupment or capital gains consequences, and interactions with government grants under section 12P.

Members who finance or develop improvements on government-owned property, particularly those involved in PPPs, infrastructure projects, renewable energy initiatives, or leasehold developments, are encouraged to carefully review [Interpretation Note 119](#) to ensure correct application of deductions and compliance with SARS requirements.

Consequently, the original version of aforementioned interpretation note has been archived. Members may consult the [archived Interpretation Note 119](#), to analyse the implemented amendments.

## Published court cases

The following Tax court case was published by SARS:

| Date of delivery                                                                                                                                                                                                                                                                                                                            | Case                     | Relevant Legislation                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 5/09/2025                                                                                                                                                                                                                                                                                                                                   | <a href="#">IT 46010</a> | <ul style="list-style-type: none"><li>Mineral and Petroleum Resources Royalty Act, 2008</li><li>Tax Administration Act, 2011</li></ul> |
| <b>Keywords:</b><br><br>Royalty liability and calculation<br><br>This is an appeal against the decision of the respondent, SARS, to raise additional assessments for the 2015 and 2017 tax years (the relevant tax periods) regarding royalties imposed under the Mineral and Petroleum Resources Royalty Act 28 of 2008 (the Royalty Act). |                          |                                                                                                                                        |

## Other SARS publications and announcements

### Access to Information

On 8 October 2025, SARS published that the following changes were made to the [Promotion of Access to Information Act, 2000 \(PAIA\)](#) page:

- Updated to, amongst others, include the Protection of Personal Information Act, 2013
- Publication of Issue 8 of the Manual on the Promotion of Access to Information Act, 2000, and Protection of Personal Information Act, 2013

## OTHER MATTERS OF INTEREST FOR A TAX PRACTICE

### Reminder: SARS Webinar on the Employer Interim Reconciliation

SARS hosted a webinar on 2 October 2025 that provided practical guidance on the 2025 Interim Reconciliation.

Attendees gained insights into:

- Troubleshooting common EMP501 submission issues.
- Payroll Data preparation.
- System Compliance.
- Employer Obligations.

Employers and Practitioners who were unable to join the webinar, can access the [slideshow presentation](#) that was presented during the webinar, [e@syfile version 8 Installation presentation](#) and recording of the webinar on the [SARS TV YouTube Channel](#) for insights from SARS.

### Reminder of the Media Release: Half Year Revenue Payment

At the midpoint of the financial year, SARS has observed an increase in taxpayer interactions across its digital payment platforms. To ensure continued compliance and avoid unnecessary penalties, SARS has reiterated the importance of timely tax payments and secure online behaviour. Taxpayers who delayed payments experienced avoidable penalties and interest charges due to last-minute processing issues. This has led SARS to emphasize

the benefit of settling tax liabilities as early as possible, regardless of the platform used—be it eFiling, EFT, or direct bank payment.

SARS has also reaffirmed the reliability and security of its digital platforms, which are aligned with global security standards. These systems are designed to protect user data while ensuring convenience and accessibility.

Alongside payment reminders, SARS has flagged a growing trend in phishing and scam attempts targeting taxpayers. These fraudulent messages often include malicious links or requests for personal information. In one scenario, a taxpayer was nearly defrauded after receiving a fake email claiming to be from SARS. Fortunately, the taxpayer verified the communication through official channels before taking action. Taxpayers are urged to remain vigilant and are reminded never to share login credentials, to ignore unsolicited links and only work with registered tax practitioners.

Be reminded that SARS maintains will never ask taxpayers to access its services through third-party links.

## **Reminder on Announcement of the Medium-Term Budget Policy Statement Date**

The Minister of Finance, Enoch Godongwana, will table the 2025 MTBPS in Parliament on 12 November 2025 at 14:00.

This MTBPS event is a key moment for taxpayers, tax professionals, economists and the media to gain early insights into the fiscal outlook and strategic priorities for the coming year. Further details relevant to tax practitioners will be shared closer to the time in upcoming editions of this newsletter.