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28 November 2025

To: The National Treasury
240 Madiba Street
PRETORIA
0001

The South African Revenue Service
Lehae La SARS,
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Via email: **National Treasury** (2026AnnexCProp@treasury.gov.za); and
SARS (2026LegislationComments@sars.gov.za)

RE: ANNEXURE C PROPOSALS: SAIT PERSONAL & EMPLOYMENT TAXES TECHNICAL WORK GROUP

We attach the Annexure C proposals from the SAIT Personal & Employment Taxes Technical Work Group (the WG), as it pertains to technical proposals for possible inclusion in Annexure C of the 2025 Budget Review.

We value the opportunity to participate in the legislative process and would welcome further engagement where appropriate. Please do not hesitate to contact us should you need further information.

Yours sincerely

SAIT Personal & Employment Taxes Technical Work Group

Unless otherwise indicated, all references to sections are to sections of the Income Tax Act, No. 58 of 1962 (the Act)

1. MISALIGNMENT OF EMPLOYEES' TAX, UNEMPLOYMENT INSURANCE FUND AND SKILLS DEVELOPMENT LEVIES WITHHOLDING OBLIGATIONS FOR FOREIGN EMPLOYERS

[Applicable provisions: Paragraph 2 of the Fourth Schedule to the Act, section 5 of the Unemployment Insurance Contributions Act 4 of 2002 and section 3(1) of the Skills Development Levies Act 9 of 1999]

1.1. Background

1.1.1. Foreign employers are required to make Unemployment Insurance Fund ("UIF") contributions and pay the Skills Development Levy ("SDL") in respect of remuneration paid to employees who render services in the Republic.

1.2. The legal nature of the problem

1.2.1. Paragraph 2 of the Fourth Schedule previously required representative employers (where the employer is a foreign employer) to withhold employees' tax in respect of remuneration paid to employees. Where there was no representative employer, no obligation to withhold employees' tax would arise. The same would not apply to UIF contributions and SDL.

1.2.2. In the 2023 Taxation Laws Amendment Bill, paragraph 2 of the Fourth Schedule was amended to extend the requirement to withhold and pay employees' tax to non-resident employers conducting business through a permanent establishment in the Republic.

1.3. A detailed factual description

1.3.1. All foreign employers with employees in South Africa remain obligated to make UIF contributions and pay SDL.

1.3.2. Any employee who renders services in South Africa will trigger a requirement for the employer to register for, and contribute to UIF and SDL, irrespective of whether the non-resident employer is conducting business through a permanent establishment in the Republic.

1.4. The nature of the business / persons impacted

1.4.1. Foreign employers and their employees rendering services in South Africa other than through a permanent establishment in the Republic.

1.5. Proposal

1.5.1. We recommend amendments to section 5 of the Unemployment Insurance Contributions Act 4 of 2002 and section 3(1) of the Skills Development Levies Act 9 of 1999 to distinguish between local and foreign employers.

2. PROPOSAL FOR A SINGLE DESIGNATED EMPLOYER REGISTRATION FOR GROUP COMPANIES TO STREAMLINE ADMINISTRATION

[Applicable provisions: Paragraphs 2, 14 and 15 of the Fourth Schedule to the Act]

2.1. Background

2.1.1. In instances where there are a number of companies within a group of companies which each have employees, it is often the case that, in order to avoid duplicating administration, only one of the companies within that group is registered as an employer with SARS and that company is then responsible for making all employees' tax, UIF and SDL (i.e. employment tax) payments and filings to SARS on behalf of the group.

2.2. The legal nature of the problem

2.2.1. Under the scenario described above, all other things being equal, SARS will receive the correct amount of employment taxes that are due in respect of all remuneration paid to employees in the group and those payments will have taken place within the required time frames. However, since paragraph 15 of the Fourth Schedule requires "*every person who is an employer*" to register as such and paragraph 2 of the Fourth Schedule requires "*every employer … who pays … remuneration*" to deduct or withhold employees' tax from that remuneration, the other group companies would not have complied with their obligations under the Fourth Schedule in these circumstances.

2.2.2. Furthermore, notwithstanding that the registered company will have issued IRP5 certificates to all employees and filed the corresponding reconciliations on time, the other group companies that were not registered would not have filed reconciliations and, as a result, could be liable for administrative late filing penalties in terms of paragraph 14(6) of the Fourth Schedule.

2.3. A detailed factual description

2.3.1. Every employer that has employees is required to register as such with SARS and withhold and pay over the appropriate employment taxes to SARS within the required time constraints and to file the appropriate monthly and bi-annual returns.

2.3.2. In a group scenario where this function is undertaken by one company on behalf of other group companies, the company that has undertaken this responsibility has then technically overpaid its liability in respect of its own employees and the other group companies have technically failed to register as employers and have not paid their employment tax liabilities (although the employment tax was duly paid by the registered group company). Overall, though, SARS should have received the correct amount of employment taxes due in respect of all remuneration paid to all group employees.

2.4. The nature of the business / persons impacted

2.4.1. Groups of companies where a limited number of companies within the group are responsible for the administration of employment taxes in

respect of all employers within the group.

2.5. Proposal

2.5.1. Paragraph 15 of the Fourth Schedule should be amended to allow for one or more designated companies within a "group of companies" as defined in section 1 of the Income Tax Act to register as the employer with SARS on behalf of the other companies within that group and to undertake the employment tax payment and filing obligations on behalf of those other group companies. This will ease the administrative burden on both SARS and the companies as it will avoid multiple registrations of employers when this can be consolidated into one registration.

3. ALIGNING TAX LEGISLATION WITH REGULATION 4(B) OF THE IMMIGRATION ACT ON DIGITAL NOMAD VISAS (MAY 2024)

[Applicable provisions: Sections 66 and 67]

3.1. Background

3.1.1. On 20 May 2024, the Minister of Home Affairs issued Notice 4847 advising of amendments to Regulations in terms of section 7(1) of the Immigration Act 13 of 2002 in order to, inter alia, make provision for the issuing of the so-called "digital nomad" visas.

3.1.2. In terms of clause 4 of this Notice, amendments are made to Regulation 11 to the effect that, subject to additional unrelated requirements, if the visa is issued for a period not exceeding 6 months within a 36-month period, the foreigner may apply to be exempted by SARS from registering as a taxpayer and, if the visa is issued for a period longer than 6 months within a 36-month period, the foreigner must register with SARS.

3.2. The legal nature of the problem

3.2.1. Section 66(1) stipulates that the Commissioner must annually give notice of the persons who are required to furnish returns for the assessment of normal tax. Furthermore, section 67(1) provides that "*every person who at any time becomes liable for any normal tax or who becomes liable to submit any return contemplated in section 66 must apply to the Commissioner to be registered as a taxpayer …*".

3.2.2. Neither of the above-mentioned provisions make any reference to whether or not the person is a foreigner with a work visa or to the length of the work visa. Furthermore, the annual notice issued by the Commissioner regarding who must submit tax returns also makes no reference to work visas or their duration.

3.2.3. Whether or not a person who is not tax resident has a normal tax obligation in South Africa is based on many factors such as whether their country of tax residence is party to a double tax agreement ("**DTA**") with South Africa and the length of time that they physically spend in South Africa.

3.3. A detailed factual description

3.3.1. There may be situations where a resident of a country that is party to a DTA with South Africa is granted a visa for a period longer than 6 months but who actually spends less than 183 days in a 12-month period within

South Africa and, consequently their income is not taxable in South Africa in terms of the dependent personal services article of the DTA. As a result, they would not become liable for normal tax in South Africa and consequently would typically not be required to register as a taxpayer with SARS. The Regulations issued by the Minister of Home Affairs nevertheless stipulate that they must register with SARS.

3.3.2. Alternatively, you could have a situation where the non-resident person in question is from a country that is not party to a DTA with South Africa. As a result, regardless of the time that they spend in South Africa, they could be liable to tax in South Africa on their South African sourced income. The Regulations issued by the Minister of Home Affairs nevertheless stipulate that, if the visa issued is for less than 6 months, they are not required to register with SARS.

3.4. The nature of the business / persons impacted

3.4.1. Foreign persons who are rendering dependent personal services temporarily in South Africa who are granted work visas by the Department of Home Affairs that are governed by Regulation 11 of the Immigration Regulations, 2014, published under Government Notice No R. 413 of 22 May 2014, as amended by Government Notice No R. 1328 of 29 November 2018 and Government Notice No R. 4847 of 20 May 2024 will be affected.

3.5. Proposal

3.5.1. Since the Regulations issued in terms of the Immigration Act 13 of 2002 cannot override income tax legislation or DTA provisions, clarity should be provided by National Treasury as regards how the interaction between the Regulations and tax legislation will be accommodated. The required consequential amendments to sections 66 and 67 of the Act should be enacted.

4. REVISION OF OUTDATED EXEMPTION THRESHOLDS IN THE ACT

4.1. Legal Nature of the Problem

4.1.1. A number of exemption thresholds contained in the Seventh Schedule of the Act, have remained unchanged for several years. These thresholds were originally intended to provide meaningful tax relief for specific fringe benefits; however, inflation and significantly increased cost structures have rendered the original thresholds outdated. Arguably, these unchanged thresholds can be said to longer be achieving the legislative intent and may in certain instances, create inequitable tax outcomes.

4.1.2. Employees are taxed on benefits that are intended to provide support and are not reflective of current economic realities. Furthermore, employers face increased compliance burdens, as the thresholds cause distortions in payroll tax calculations.

4.1.3. In effect, the legal framework has not kept pace with economic conditions, resulting in unintended tax consequences and that may potentially be undermining the policy objectives of the Act.

4.2. The nature of the business / persons impacted

4.2.1. Employees are the most directly affected, particularly:

- Employees, whose employer-provided accommodation is taxed at outdated thresholds that do not reflect actual rental costs in metropolitan centres;
- Long-serving employees, who receive long-service awards that now exceed the limited exemption due solely to inflation; and
- Employees seeking to purchase residential property, where the exemption applicable to low- or interest-free loans has become inadequate given rapidly rising property prices.

4.2.2. These employees bear a tax burden that was never intended by the legislature, reducing the practical value of these benefits.

4.3. Detailed factual description

4.3.1. Below is a list of the key outdated thresholds, that we recommend be reconsidered.

4.3.1.1. Residential accommodation for employees:

- The "rental value" formula used to determine taxable benefit was introduced many years ago and has not been adjusted to reflect rapidly rising accommodation costs.
- No modernised mechanism exists to align the value to metropolitan rental markets, leading to disproportionate taxable benefits for employees in high-cost areas.

4.3.1.2. Long service awards per paragraphs 5(2)(b), 6(4)(d) and 10(2)(e) of the Seventh Schedule to the Act and paragraph (c)(vii) of the definition of "gross income" in section 1:

- Current exempt threshold: R5 000.
- This amount has remained unchanged for several years and is significantly below the market value of common non-cash awards such as vouchers, electronics, or basic commemorative items.

4.3.1.3. Low- or interest free loans for residential property

- The exemption for loans used to acquire residential property is limited by outdated considerations of affordability and average property values.
- Given that entry-level homes in most urban areas are now multiple times higher than when the provision was introduced, the exemption is arguably no longer meaningful.

4.4. Proposal:

4.4.1. In order to restore the original policy intent of these exemptions, the following updates are proposed to the residential accommodation benefit:

- Replace the current "rental value" formula with a market-aligned formula, or
- Introduce an updated threshold/value table reviewed every three years.

4.4.1.1. This would align taxable values with actual rental markets and eliminate excessive fringe-benefit taxation that arises solely due to outdated formula design.

4.4.1.2. Long-Service Awards

4.4.1.2.1. The current exemption is R5 000. We propose a new exemption of R15 000 – R20 000, with automatic CPI-linked adjustment every three years.

4.4.1.2.2. The rationale being that a three- to four-fold increase aligns the exemption with present-day values of modest long-service awards. Furthermore, the automatic CPI adjustments will ensure the threshold keeps aligned with economic reality.

4.4.1.3. Low- or interest-free loans for acquisition of residential property

4.4.1.3.1. We process the introduction of a minimum exempt loan amount of R300 000 – R500 000 or to exempt the first 30% of the property value financed through an employer loan. The rationale being that modern entry-level residential properties frequently exceed R800 000 – R1.2 million in major centres. Updating the exemption ensures the loan mechanism remains a viable support tool for employees entering the housing market.

4.4.2. Conclusion

4.4.2.1. We propose that National Treasury undertake a comprehensive review of all outdated exemption thresholds in the Seventh Schedule, with:

- Adjustments to restore original policy intent,
- Introduction of automatic CPI-linked updates, and
- Periodic legislative review cycles (e.g., every three years).

4.4.2.2. We believe that this approach ensures that exemptions remain functional, fair, and aligned with contemporary economic conditions, reducing unintended payroll distortions and improving certainty for both employees and employers.

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