



Mr Allen Wicomb

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### **SAIPA's Comments on the Fiscal Framework and Revenue Proposals**

The South African Institute of Professional Accountants (SAIPA) is generally pleased with the budget, and the budget deficit proposed, considering the infrastructural development plans.

#### **Voluntary Savings and Interest Income**

We have some concern that the proposed tax-preferred savings and investment accounts to encourage saving among South Africans, which will replace the current annual tax-free interest caps, which we fear will fail to yield significantly greater savings without a drop in the unemployment rate, availability to disposable income, security of funds, and consistent inflation beating returns. Also, the proposed limits and scrapping of the tax-free interest caps could see investors placing their funds with non-interest-bearing accounts and reduce the access of these funds to banks that in turn use the funds for lending and financing.

#### **Small Business Corporations**

We are pleased with the proposed revised tax table and rates with regards to small business corporations, and the increased capital gains exclusion for disposal of small business assets. We also appreciate the reduction in submissions to twice per year. However, we believe that the small business corporation dispensation is still very limited due to the exclusion of 'personal services', and statistically the majority of small and start-up businesses has been service-based economic times.





We respectfully request that the exclusion of 'personal services' be reconsidered and the benefits of the small business corporation dispensation be made available to all small businesses (registered as a company or close corporation) with an annual turnover of less than R14 million, and perhaps a lower annual turnover for 'personal services' could be capped at 50% of the annual turnover threshold of R14 million to compensate for the lower capital needs and absence of cost of sales.

### **Capital Gains Tax**

We understand the rationale for the increased inclusion rate for capital gains tax. We however realise that the increase of 33.33% (25% -33.3% individuals and 50% -66.67% companies) is too high we propose that consideration be made for a phased in increase over a couple of years at least.

### **Estate Duty**

We also hereby respectfully request that estate duties be scrapped as the increased capital gains tax will result in a greater tax liability for a person's estate that has a capital gain greater than R300 000. As the Minister of Finance has previously expressed that estate duties is an inefficient tax to collect and in some cases result in a double taxing where capital gains tax applies.

Provisional tax was not addressed in the National Budget documentation, despite the various issues identified with regards to provisional tax. One such issue is that penalty provisions apply with regards to the estimation of taxable income made by the taxpayer prior to the last day of the year of assessment compared with the final taxable income as per assessment (some months later).

No regard is given to the quantum of taxes paid during the year of assessment. This results in penalties being imposed when in fact, the taxpayer has paid sufficient taxes during the year of assessment. We respectfully request that a provision be introduced to allow for the Commissioner to waive penalties when the taxpayer has paid sufficient taxes during the year of assessment.

### **Fuel Levy**

The increase in fuel levy is 100% when compared with the 10c per litre increase announced in the 2011/12 budget speech. The increase in the levy will have negative effect on economic growth and the fight against unemployment as it has a wide ranging impact on the country as a whole. We humbly request that the increase in the fuel levy be revisited downwards considering the effect a high fuel rate has on the economy inflation.



## Overall View

The South African Institute of Professional Accountants (SAIPA) would like to commend the Treasury Department, for a job well done in providing a well balanced budget. We also

We trust that our submission will receive your favourable consideration. We would welcome an opportunity to come and present our submission.

Should you require any further information or wish to discuss this matter in more detail the writer can be contacted on:

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Regards

**Faith Ngwenya**

**Technical Executive**





We hope that you find the proposed items in order, and we are looking forward to a productive meeting

Regards

**Faith Ngwenya**

**Technical Executive**