TAXPRACTICE

WEEKLY HIGHLIGHTS

WEEK OF 13 - 19 June 2024
(Issue 23 -2024)

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TOP STORY

National Treasury sheds light on the implementation of Pillar 2

In efforts to clarify stakeholders' understanding pertaining to the implementation of the global minimum tax, National Treasury convened a workshop to shed light on the implementation of Pillar 2. Following the release of the draft Global Minimum Tax Bill (and associated documentation) for public commentary in February 2024, stakeholders submitted commentary thereon – which National Treasury has considered.

National Treasury has indicated that the SA Global Minimum Tax has been premised upon the New Zealand Pillar Two model, with a few nuances to accommodate the South African tax landscape.
During the engagement, National Treasury provided clarity on the process that it will undertake to update the GloBE Model Rules, how the GloBE rules will be translated into the South African tax law, the way the Global Minimum Tax Bills interact with the UN Tax Convention and how it will interact with the provisions of the Income Tax Act, among others.

Following the engagement, insight and feedback provided, National Treasury will now consider same and incorporate for purposes of release, which is anticipated to be with the draft tax bills in July this year. The SAIT Technical team will release an explanatory advisory in the coming weeks on this.

#StayAbreastOfTheTaxWave

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

Send your article to taxqueries@thesait.org.za.

Approximately 500 – 1 500 words

MEMBERS' DIGEST

Basic estate duty planning for a middle-class nuclear family

Written by: : Mbonisi Ndlovu
SAIT Affiliate Member

Contemplating mortality and what remains behind upon your passing is a topic many prefer to avoid. However, despite its discomfort, estate duty planning is necessary. Delaying this important task can lead to undesirable outcomes, particularly for the loved ones you leave behind.

Briefly, estate duty is what is colloquially known as 'death taxes' which are payable by your estate upon your passing and is levied on your worldwide assets. It is governed by the Estate Duty Act 46 of 1955 ('Act'). The dutiable amount is calculated based on the net value of the estate, with certain deductions and exemptions available.

Consider the following scenario of a middle-class nuclear family.

- The Jones family, consisting of Mr Jones and Mrs Jones who are married out of community of property with the application of the accrual system and their two children, John (13) and Jean (9). The family recently faced an unexpected blow when Mr Jones suddenly passed away, as you would have it. Despite having a will that bequeaths 50% of his estate to his wife and 50% to his children, the will does not consider estate duty planning in depth.
- Having regard to the impact of estate duty and the significant taxes on the late Mr Jones's estate, Mrs Jones is now aware of the fact that estate duty potentially threatens the financial security of her children's legacy. Promptly, she seeks legal and tax advice in this regard.
- By structuring her assets strategically in order to leverage tax exemptions, as will be seen in the paragraphs below, she manages to minimise her tax liability. Consequently, she is safeguarding the legacy of her children.
- This scenario underscores the importance of estate duty planning. Neglecting this aspect can lead to serious financial and tax obligations that expose the security of loved ones and the legacy one wishes to leave behind.

When conducting estate planning, particularly with regard to estate duty, it is important to consider the nature of your assets, as not all assets are subject to estate duty.

Assets included for estate duty purposes

The Act defines 'estate' to encompass all property of the deceased at the time of their death, including deemed property. It defines property broadly, covering both movable and immovable assets. This includes various types of corporeal and incorporeal property, such as interests in property, annuities and more. However, certain types of property are excluded, such as:

- Pension, Provident, and Retirement Annuity Funds — that portion of benefits due and payable from these funds is excluded. Contributions that exceed the threshold are included;
- Property outside South Africa (this depends on the jurisdiction the foreign property is situated);
- Intellectual property rights;
- Stocks or shares; and
- Property bequeathed to a surviving spouse.
- Certain assets are deemed to be property for estate duty calculations, such as:

- The excess of life insurance payouts over the combined premiums paid;
- Property donated by the deceased that was exempt from donations tax is included;
- The amount of accrual acquired by the deceased's estate against the surviving spouse under the Matrimonial Property Act;
- Property the deceased was able to dispose of for their benefit immediately before death; and
- Contributions to pension, provident or retirement annuity funds that exceed the defined threshold.

Calculating the net value of an estate

The net value of the estate is determined by deducting various items from the total value of the property, including funeral expenses, debts in South Africa, allowed estate administration and liquidation costs, taxes and certain other factors.

Consider the Jones's scenario.

Upon Mr Jones's passing, he leaves his estate as follows.

Assets		
Primary Residence	R4 500 000.00	
Shares	R1 500 000.00	
Vehicles	R1 200 000.00	
Life Insurance	R3 000 000.00	
Total	**R10 200 000.00**	

Liabilities		
Home Loan		R300 000.00
Estate expenses		R720 000.00
Total		R1 020 000.00
Less abatement		**R3 500 000.00**
Section 4q		**R3 300 000.00**
Net estate		**R2 380 000.00**
Estate Duty at 20%		**R476 000.00**

R416 000.00 is an amount that would have been saved if the estate duty planning had been done properly. It can certainly go a long way for a nuclear family such as the Joneses.

The dutiable amount is calculated by deducting an abatement of R3 500 000 from the net value of the estate. If the deceased had multiple spouses who previously passed away, the calculation is adjusted based on the net value of the estate of the previously deceased spouse(s).

The estate duty rate depends on the dutiable amount, namely 20% if the estate is below R30 000 000 and 25% if the estate exceeds R30 000,000.

Spousal exemption

The spousal exemption as envisaged in section 4 of the Act allows for the transfer of assets between spouses without incurring any estate duty. If a surviving spouse inherits assets from a deceased spouse, the dutiable amount is reduced by the value of those assets and any unused abatement 'rolls over' to the surviving spouse's estate.

In the case of the Joneses, because Mr Jones bequeathed 50% of his estate to his children, his estate will, therefore, be liable for 50% of the estate duty payable.

Reducing the value of your estate

Effective estate planning requires that you dispose of assets, as early as possible, with a high potential for growth, such as immovable property or shares to either:

1. **Your beneficiaries** while you are still alive. In the Jones's scenario, it is not ideal for Mrs Jones to relinquish ownership of her assets to her minor children as she will not have control over her assets. There may be donations tax payable for such disposals.
2. **A trust**— it appears that the best option for Mrs Jones is to relinquish ownership of her assets to a trust. This way, the value of her estate is substantially diminished and less estate duty will be triggered upon her death. However, she may, in her capacity as trustee, manage the assets, provided she is a trustee. This is to ensure that the value does not grow in her personal estate, thus increasing the value of her estate. Rather, it grows in the trust. Trusts are not subject to estate duty.

It must be borne in mind that when disposing of assets, other taxes such as capital gains tax and donations tax will potentially be triggered, subject to various exemptions. Furthermore, other costs associated with disposing of assets may be incurred. Therefore, this planning exercise requires the aid of a tax advisor.

Effective estate duty planning requires that you ensure that there is sufficient liquidity in the estate to cover all administration costs and duties payable upon your death.

Alan Lake maintains, "Planning is bringing the future into the present so that you can do something about it now." The importance of planning can never be overly emphasised as it minimises the impact of estate taxes and it ensures that your heirs receive the assets you intended them to have, with less tax burden.

Do not be a 'Mr Jones' and leave things to fate, in other words, leave Mrs Jones to pick up the pieces. Be a 'Mrs Jones' and plan ahead for your children's legacy.

PART A: COMPLIANCE & SARS OPERATIONS

SAIT-SARS 'ON-THE-GROUND' ENGAGEMENT

SAIT TaxHelpline – SARS operational queries

SARS announces some updates to the Personal Income Tax returns ahead of Filing Season 2024

Two weeks ago, SARS announced that Filing Season 2024 would commence on 15 July 2024, with the first two weeks of July reserved for the issuing of Auto-Assessments to the qualifying population.

It is customary for SARS to release a new version of the ITR12 return prior to the commencement of Filing Season to account for any legislative and operational changes.

On 19 June 2024, SARS announced the following updates for the upcoming personal income tax filing season:

- **Pro-rata deduction in respect of contributions to retirement funds:** Section 11F(2)(a) of the Income Tax Act No 58 of 1962 was amended as follows: Where any person's year of assessment is less than 12 months, the amount stipulated in section 11F(2)(a) of the Act used to calculate the allowable retirement contribution deduction (currently R350 000) shall be adjusted. The adjusted amount will bear the same ratio to R350 as the number of days in that year of assessment bears to 365 days.

  Therefore, if any person's year of assessment is less than 12 months, the allowable retirement contribution deduction (currently R350 000) will be applied on a pro rata basis.

- **Exemption of amounts received or accrued in respect of tax-free investments:** Section 12T(4)(a) of the Income Tax Act was amended as follows: Where any person's year of assessment is less than 12 months, the contribution limitation stipulated in section 12T(4)(a) of the Act (currently R36 000) shall be adjusted. The adjusted contribution limitation will apply in aggregate for any year or years of assessment during the 12-month period commencing in March and ending at the end of February of the immediately following calendar year.

  Therefore, if any person's year of assessment is less than 12 months, the applicable contribution limitation (currently R36 000) will be applied on a pro rata basis.

- **Deductions in respect of erection or improvement of buildings in urban development zones:** Section 13quat of the Income Tax Act was amended by substituting the following paragraph in subsection (5) for paragraph (c): *"(c) which is brought into use by the taxpayer after 31 March 2025."*

  Therefore, the Income Tax Return (ITR12) form will be amended to extend the allowable deduction until 31 March 2025.

- **Solar energy tax credit:** To encourage individuals to invest in clean electricity-generation capacity, the solar energy tax credit was available for one year. It applied to new and unused solar PV panels that were acquired by the individual and brought into use for the first time from 1 March 2023 to 29 February 2024.

The amount of the solar energy tax credit allowed as a deduction to an individual was 25% of the cost of the solar PV panels described above, up to a maximum of R15 000.

It should be noted that a deceased estate did not qualify for solar tax credit.

- **Redesigned deduction in respect of certain machinery, plant, implements, utensils and articles used in production of renewable energy:** SARS has redesigned the s10(1)(o)(i) and s10(1)(o)(ii) questionnaire to make it easier for taxpayers to complete the return.

  It noted that the ITR12 form rules were a challenge to taxpayers. Previously, taxpayers had to first select the applicable wizard questions for the income, exemption, and foreign tax credit containers before completing the exemption amount for qualifying criteria.

  The updated form streamlines this process, making it easier for taxpayers to complete the return.

- **ITR12 form changes — beneficial owner:** In recent years, SARS has observed that tax practitioners sometimes put their own details in the contact information section in the place designated for the individual taxpayers that they represent when submitting ITR12 forms. SARS wishes to emphasise to practitioners that when completing and submitting ITR12 returns for individual taxpayers they must ensure that the container designated for the individual taxpayer's details is filled with the taxpayer's information, and not that of the tax practitioner.

  Importantly, it must be noted that there is already a designated container for tax practitioners to declare their own particulars. Therefore, tax practitioners must not use fields intended for individuals to declare their own details.

  In addition, remember that the information in the declaration must be true and accurate.

SARS is yet to announce the release of the 2024 corporate income tax return (ITR14), which is also typically released in June of each year. With the unusual delay in the commencement of the Trust Income Tax Filing Season, we do anticipate that the ITR12T return will be released much closer to 16 September 2024.

Stay vigilant of scams with the upcoming 2024 Filing Season

Individual Filing Season is known as a time when many unknowing taxpayers fall victim to tax fraud. Sometimes they are not aware that tax fraud is committed on their eFiling accounts.

Tax fraud happens when an individual or a business entity wilfully and intentionally falsifies information on a tax return to reduce their tax liability or gain other advantages. In some cases, the banking details are changed on eFiling profiles to fraudulently gain access tax refunds.

It is imperative for taxpayers and tax practitioners alike to stay vigilant and beware of the following:

- Do not share your username, password, and one-time PIN with anyone.
- SARS does not charge for services provided by its officials.
- Request identification from a SARS official.
- Report a suspicious activity if you think that you have been affected by fraud.

In the past two weeks, SARS has identified two phishing scams, one on tax refunds and another on outstanding tax payments. We urge members to take note of these scams and if you suspect any phishing scam, send an email to phishing@sars.gov.za.

Reminder on tax practitioners being left stranded without eFiling access

On Friday, 31 May 2024, SARS started denying access to eFiling profiles where the contact details associated with the profile are linked to more than the maximum number of profiles allowed. This came at a sensitive time as 31 May 2024 fell on the submission deadline for some electronic VAT submissions, employer reconciliation and third-party data.

For context, this happens when the risk engine finds irregularities and mismatches of information. The primary concern is the use of tax practitioners' emails and/or cell phone details being used as Security Contact details on their clients' eFiling profiles.

Although the date of implementation was not previously communicated, SARS and SAIT did inform tax practitioners of this pending implementation since 14 May 2024, see issue 18 of the Tax Practice: Weekly Highlights.

In the announcement made by SARS, it was stated that affected tax practitioners would need to visit the SARS branch to authenticate themselves together with substantiating documents (ID, proof of address, proof of banking details, etc.). Unfortunately, from reports received from members, it would appear that the branch offices are also unable 'unlock' the profiles and that they have to report digital fraud first to get assistance. This process may take up to 21-business days to resolve.

We strongly recommend that affected tax practitioners inform each of their taxpayer clients and request that they update their security contact details on eFiling or at a SARS branch.

eFiling security details

The eFiling security details are primarily used with retrieving the eFiling profile where the eFiling user has forgotten the username or password. To update the eFiling security details, the following process must be followed:

1. Select **My Profile** from the eFiling menu on the left and click on **Profile and Preference Setup**.
2. Scroll to the section **Security Contact Details**.
3. Insert your new email address and/or your new cell number.
4. Select your preferred method of communication.
5. Click on **Update & Save**.
6. On the pop-up screen that displays, select your preferred method of communication to receive the One-Time-Pin (OTP).
7. After you have entered the correct OTP, a message will display confirming that your security contact details have been updated successfully.

SAIT TaxHelpline – escalations

As part of our service to members, SAIT escalates appropriate cases within the SARS structures on behalf of members. Members can submit a query via the TaxHelpline for SAIT to assist with a SARS escalation matter. You can read more on the process and requirements, here.

The most urgent cases escalated this week related to:

1. Delay in the finalisation of VAT objections;
2. Delay in the finalisation of VAT verifications and payment of refunds; and
3. SARS not responding to digital fraud cases reported on the SARS Online Query System.

SARS regional and national operational meetings

SAIT and its Regional Representatives attend the SARS/RCB regional meetings on a quarterly basis (qualifying for CPD points).

Feeback from the RCB/SARS regional and national meetings

Feedback from the Mbombela stakeholder meeting held on 14 June 2024 can be accessed, here.

Feedback from the previously held regional meetings can be accessed:

1. Western Cape held on 5 June 2024; and
2. Free State and Northern Cape held on 10 June 2024

Upcoming RCB/SARS regional and national meetings

The following regional and national meetings have been scheduled:

1. Eastern Cape for 24 June 2024;
2. KwaZulu-Natal for 24 June 2024;
3. Eastern Cape for 27 June 2024;
4. Gauteng South for 17 July 2024;
5. Gauteng North for 22 August 2024;
6. Free State and Northern Cape for 9 September 2024;
7. KwaZulu-Natal for 9 September 2024;
8. Free State and Northern Cape for 11 November 2024;
9. Gauteng South for 13 November 2024;
10. Gauteng North for 21 November 2024; and
11. KwaZulu-Natal for 25 November 2024.

Other meetings of interest

1. SARS National Operations meeting scheduled for 25 July 2024;
2. RCB forum meeting scheduled for 10 September 2024;
3. RCB forum meeting scheduled for 12 November 2024; and
4. SARS National Operations meeting scheduled for 21 November 2024.

Members who wish to make themselves available to serve as SAIT Regional Representatives or raise agenda points can send their details (full names, region, and area of speciality) to Lerato Mashigo at taxassist@thesait.org.za.

DAILY COMPLIANCE AND ADMINISTRATION

Due dates for reporting and payments: June 2024

Month	Date	Tax Type	Notification
June 2024	07/06/2024	Employment Taxes	**EMP201 -** Submissions and payments
	25/06/2024	Value-Added Tax	**VAT201 -** Manual submissions and payments
	28/06/2024	Value-Added Tax	**VAT201 -** Electronic submissions and payments
	28/06/2024	Income Tax	**ITR14 -** Submission of 2023 returns for companies with a June year-end
	28/06/2024	Income Tax	**1st provisional (2024)** - Submissions and payments for individuals, trusts and companies with a December year-end
	28/06/2024	Income Tax	**2nd provisional (2024)** - Submissions and payments for companies with a June year-end
	28/06/2024	Income Tax	**3rd provisional (2023)** - Payments for companies with a December year-end

SAIT member resources

- SAIT Important tax dates calendar – contains important dates from January 2024 to January 2025 (updated). The SAIT calendar has been updated to include the Filing Season 2024 submission deadlines.
- SAIT SARS contact map – links service requirements to SARS channels (updated) – A dedicated email address was created for the submission of Customs 'Transfer Pricing' cases (customs.tpadjustments@sars.gov.za).

Key Operational News

SARS is urging taxpayers to check their bank details on the SARS system before 1 July 2024

From 30 June 2024, SARS will issue auto-assessments to taxpayers whose tax affairs are less complicated. If a taxpayer is in agreement with the auto-assessment issued by SARS, then there is no need to 'accept' the assessment. If a refund is due on the assessed account, it will automatically be paid into the taxpayer's bank account.

Before 1 July 2024, taxpayers are urged to check and confirm that banking details reflected on the eFiling RAV01 form are correct. Ensuring that these details are correct before time, will ensure that Filing Season goes on hassle-free.

Follow these steps to check the balancing details:

1. Login to sarsefiling.co.za.
2. Click on 'SARS registered details'.
3. Click on 'Maintain SARS Registered Details'.
4. Click on 'My Bank Accounts' to view your bank details.
5. If correct, you are all set to receive a refund in your bank account (if due to you)
6. If your banking details are incorrect or have changed:

- You can edit/change the bank account details while still on the 'My Bank Accounts' screen
- Remember to click on 'Done' and then 'Submit' once you have updated the details.

Big changes for medical aid data third-party data reporting

On 7 June 2024, SARS published the updated Business Reporting Specifications to implement changes to the medical aid third-party data reporting. Come September 2024, the following changes with all included are:

- Provision of data on disabled Principal members and their dependents
- Data of persons making payment on behalf of principal members.
- Separate non-allowable from the allowable expenses, currently reported as claims not paid or covered by medical schemes on the IT3(f) certificate.
- Field 4, File Layout Version must be 3.
- For inclusivity of disabled taxpayers with multiple disabilities, the Principal Member and Dependent Disability Information containers in the Medical Scheme Contributions external BRS (Version 1.07) have been expanded to allow the selection of multiple disabilities. For ease of reference, the changes in the latest BRS (Version 1.08) are as follows:
  - Under the Principal Member Disability Information record, fields 261 to 265 have been added and field 191 has been amended.
  - Additionally, the Dependent Disability Information record has additional fields from 266 to 270 and field 216 has been amended.

SARS to update software for the 'two-pot' retirement system

To facilitate the upcoming two-pot retirement system changes, SARS will be making enhancements to the Tax Directives process. The changes are detailed in IBIR-006 Tax Directives interim Interface Specification Version 6.703.

A revised version of the specification will be published once the Pension Fund Administration Bill is promulgated, if necessary. SARS will also communicate trade testing dates in due course.

Reminder on SARS officially gazettes the Filing Season 2024 dates

On 3 June 2024, SARS published a public notice relating to the notice in terms of section 25 of the Tax Administration Act, No. 28 of 2011 (the TAA), read with section 66(1) of the Income Tax Act, No. 58 of 1962 (the ITA) specifying the persons who must submit income tax returns for the 2024 year of assessment.

Between **1 – 14 July 2024**, SARS will be issuing **auto-assessments** to the qualifying population, and during this time, all other 2024 personal income tax return submissions will be blocked.

Filing Season 2024 will then open on **Monday, 15 July 2024** and the following deadlines will apply to the different categories of taxpayers:

- Any company, 12 months from the date on which the financial year ends.
- All other persons (which include natural persons, trusts and other juristic persons such as institutions, boards or bodies).
- **21 October 2024** if the return is submitted electronically through the assistance of a SARS official **at a SARS branch office or manually**.
- **21 October 2024** if the return does **not relate to a provisional taxpayer** and is submitted by using the **SARS eFiling platform**.

- **20 January 2025** if the return relates to a **provisional taxpayer** and is submitted by using the SARS eFiling platform.
- Unlike previous years, the **Trusts Income Tax** filing season will **open on 16 September 2024 and close on 20 January 2025**.
- Where accounts are accepted by the Commissioner in terms of section 66(13A) of the ITA in respect of the whole or portion of a taxpayer's income, which are drawn to a date after 29 February 2024 but on or before 30 September 2024, within 6 months from the date such accounts are drawn.

Reminder on SARS launching a tool to determine if a personal income tax is required

With Filing Season 2024 around the corner, SARS has launched an online tool to determine if the taxpayer needs to submit a personal income tax return (ITR12) for the 2024 year of assessment.

The tool uses an automated questionnaire to determine if the taxpayer meets the submission criteria per the public notice. Some of the questions include:

- Did you earn any income during the tax year 1 March 2023 to 29 February 2024?;
- What is your age range?;
- Was your annual income more than R91 250?; and
- Was your income only from employment and from a single employer?

Based on the answers provided, SARS will advise if the taxpayer needs to submit a tax return come 15 July 2024.

Other SARS and related operational publications and announcements

- **18 June 2024:** SARS issued a reminder on the scam published last week, alerting taxpayers of a 'outstanding tax payment' email from fraudsters posing as SARS and requesting payment to four different bank accounts.

TAX PRACTITIONER MANAGEMENT

SAIT TaxHelpline – Tax practitioner access and functionality (eFiling)

No new recurring matters have been identified in the queries submitted to SAIT for the week of 13 - 19 June 2024.

Key tax practitioner news

No key tax practitioner news were published during the week of 13 – 19 June 2024.

Government & stakeholder newsletters

SARS publishes the latest Tax Practitioner and Government Connect newsletters

Over the past week, SARS published issue 53 and issue 19 of the Tax Practitioner and Government Connect newsletters respectively. The latest editions of the newsletters highlights the following issues:

- 2024 Filing Season Dates;
- SARS Online Query System External Guide;

- SARS Videos Produced by the Education Team;
- Third-party Data — Changes in SARS Medical Aid Data Reporting;
- Auto Assessments;
- Adding or Changing Banking Details;
- Misrepresentation of Taxpayers' Information;
- Use our Digital Channels;
- Access to Audit Files;
- What Happens if I Do Not Agree with a SARS Assessment?;
- Tax Directives Software Update for the Two-pot Retirement System; and
- Protecting Clients' Information

Other tax practitioner access and functionality publications and announcements

- **13 June 2024:** SARS identified a new scam doing the rounds pretending to be SARS. The scam talks about Tax Refunds. SARS advises stakeholders against clicking on the link provided in the email and urges them to promptly delete the fraudulent email.

PART B – LEGISLATION & POLICY

LEGISLATION, INTERNATIONAL AGREEMENTS & POLICY

Legislation

No new legislation, international agreements or policy matters were published in the week of 13 – 19 June 2024.

Reminder regarding the legislative cycle update

At present, it is expected that the comprehensive annual tax amendments in the form of the draft tax amendment bills (together with the revised draft Global Minimum Tax Bill) will be published towards the end of July 2024. For ease of reference, SAIT has provided a calendar setting out the general dates relevant to the annual legislative tax amendment cycle.

LEGISLATIVE INTERPRETATION

Reminder of submission made in response to legislative interpretation calls for comment

On 7 June 2024, the SAIT Technical team submitted commentary to SARS regarding the draft interpretation note that addresses the income tax treatment of water services providers (draft IN).

The draft IN provides guidance on the interpretation and application of the definition of 'water services provider' in section 1(1) of the Act for purposes of the exemption of the receipts and accruals of a qualifying water services provider from normal tax under section 10(1)(t)(ix) of the Act.

The SAIT Technical team is unopposed to the interpretation contained therein. There were, however, technical and grammatical amendments that were raised with SARS and thus bought to SARS' attention.

Legislative counsel publications

Reminder regarding the publication of the average exchange rates

On 7 June 2024, SARS published the latest update to the Average Exchange Rates. The Income Tax Act provides specifically that certain amounts expressed in a foreign currency must be translated into ZAR by the application of an applicable average exchange rate. On a quarterly basis, the South African Reserve Bank determines weighted average exchange rates, based on the foreign exchange transactions of commercial banks. These average exchange rates are published to be used by taxpayers in the determination of the average exchange rate when required for specific sections of the Income Tax Act.

Taxpayers may opt to utilise the below average exchange rates, which may differ from those published by SARS, in these cases, the taxpayer must keep record of all calculations for audit purposes:

- 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.

The next update to the average exchange rates can be expected in September 2024.

Reminder regarding the SARS FAQs pertaining to the domestic reverse charge regulations

On 10 June 2024, SARS published a document containing frequently asked questions (FAQs) pertaining to the interpretation and understanding of the VAT domestic reverse charge (DRC) on valuable metals.

A VAT DRC was introduced in the regulations that were published in *Government Gazette* 46512 on 8 June 2022. The DRC Regulations came into effect on 1 July 2022. Further amendments to the DRC Regulations were made in *Government Gazette* 50642 published on 10 May 2024 (Notice 4793) and came into effect on 1 January 2024.

The FAQs were compiled based on questions that were and are likely to be raised about the implications of the DRC Regulations. The FAQs are drafted to assist vendors and the public at large to obtain clarity and to ensure consistency on certain practical and technical aspects relating to the DRC Regulations. These FAQs are not to be utilised as legal reference.

Published court cases

No new court cases were published in the week of 13 - 19 June 2024.

Other SARS publications and announcements

No other legislative interpretation publications were made in the week of 13 - 19 June 2024.

OTHER MATTERS OF INTEREST FOR A TAX PRACTICE

SARS calls for Independent Audit and Risk Committee (ARC) members

SARS is calling for applications from professionals who wish to serve on its Independent Audit and Risk Committee members (ARC) for the term 2024 to 2027, which is subject to renewal at the discretion of the Accounting Authority.

The ARC serves as an oversight committee in relation to accounting & financial internal controls, compliance & risk management, and governance. The ARC is a statutory committee, and candidates are expected to have an advanced understanding of the fiduciary duties as outlined in the Public Finance Management Act, the Companies Act, 2008 (Act 71 of 2008) and the Regulations thereof. Experience in tax law administration will be an added advantage.

SARS is seeking suitably qualified professionals with *inter alia* a high degree of integrity, ethical leadership, executive leadership competence, and good interpersonal and communication skills who hold postgraduate qualifications in either Chartered Accountancy (SA), Audit (internal and external), Technology and Information Governance, Law and Risk Governance, and who possess the following:

- Five years' experience serving on boards and/or audit committees; and/or
- Five years' experience practicing in the relevant area of qualification/expertise.

Should you wish to serve as an ARC member, kindly click here.

SARS to discontinue the small parcel exception for imported clothing items

SARS has announced that it intends to discontinue the di minimus exemption, which essentially permitted consumers to purchase low-cost clothing items at factory prices through e-commerce platforms such as Shein and Temu. This rule prescribed that parcels of under R500 attracted customs import duty of 20% and 0% VAT.

From 1 July 2024, SARS will implement higher taxes on parcels that are purchased from retailers such as Shein and Temu. This comes as a result of lobbying from local clothing retailers and stakeholders in the textile industry that have alleged that Chinese retail companies, such as Shein and Temu have been exploiting the *di minimis* rule tax loophole that kept their import prices low and which assisted them to attract a substantial amount of purchases from local consumers, among others. Juxtaposed to local clothing retailers who have been required to pay 45% plus VAT rate for imported clothes which place them at a disadvantage to 'direct-from-China' importers like Shein and Temu.

This amendment is a *"corrective move towards a level playing field, and in terms of the customs that the values declared must be correct."*