

TAX PRACTICE

WEEKLY HIGHLIGHTS

WEEK OF 14 - 20 November 2024
(Issue 44 -2024)

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TOP STORIES

Tax review on collective investment schemes: A critical consultation opportunity for members

National Treasury has launched a review of the income tax treatment of collective investment schemes (CIS), marking a pivotal moment for the sector. This review, first announced in the 2020 Budget, stems from concerns raised in the 2018 Taxation Laws Amendment Bill regarding the classification of amounts received by CIS portfolios as either revenue or capital. The aim is to clarify tax implications, potentially reshaping the sector's financial landscape.

Following public consultations, proposed amendments were withdrawn to allow further discussions with industry stakeholders to ensure a balanced approach. Now, National Treasury is inviting public input on draft proposals under section 25BA of the Income Tax Act, 1962, which could redefine the tax treatment for CIS. Stakeholders have until 13 December 2024 to submit written comments to CIS-Tax@treasury.gov.za.

For more information on the key proposals, read [here](#).

Unveiling of the long-awaited Phase Two of South Africa's carbon tax: Shaping the future of climate action

As part of its commitment to the Paris Agreement, South Africa is taking bold steps toward reducing carbon emissions with a goal of reaching net zero by 2050. In line with this, the government is unveiling phase two of its carbon tax strategy, covering the period from 2026 to 2035. The 2024 Budget outlines key proposals, including adjustments to the basic tax-free allowance, carbon offsets, the electricity levy, the renewable energy premium, and the energy efficiency savings tax incentive.

Stakeholders are urged to [submit](#) their feedback on the draft proposals by 13 December 2024, with final adjustments expected in the 2025 Budget. This is a crucial opportunity to influence South Africa's climate tax policies and support the transition to a low-carbon, resilient economy.

[#StayAbreastOfTheTaxWave](#)

PART A: COMPLIANCE & SARS OPERATIONS

SAIT-SARS 'ON-THE-GROUND' ENGAGEMENT

eFiling security details vs SARS contact details

Through frequent engagement with members, SAIT identified a fundamental misunderstanding of the difference between eFiling security and the taxpayer contact details. This misunderstanding was specifically prevalent with tax practitioners dealing with corporate taxpayers and other taxpayers other than a natural person.

This is a result of corporate taxpayers and taxpayers other than a natural person usually having a representative that needs to be registered with SARS. For example, the following people would be considered representatives:

Entity Type	Registered Representative
Deceased or insolvent estates	Curator; Executor; or Administrator.
CIPC registered companies	Public officer; Liquidator; or Administrator.
Non CIPC registered entities	Main partner; Public officer; Treasurer; or Accounting officer.
Trusts	Main trustee.

It is important to note that none of the above entities can have an eFiling profile, therefore they would be registered on the representatives eFiling profile or alternatively, under the tax practitioner's profile. For that reason, the entities themselves cannot have any eFiling security details. In order to gain access to the tax type, the representative's security details must be updated to authorise an activation by a tax practitioner.

eFiling security details

The eFiling security details are primarily used to retrieve the eFiling profile where the eFiling user has forgotten the username or password and to authorise the tax type transfer. 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.

The contact details that appear on the Registration, Amendments and Verification form (RAV01) are the contact details utilised by SARS for the delivery of correspondence in terms

of section 251 and 252 of the Tax Administration Act, No. 28 of 2011. Additionally, these are the contact details to be used when SARS needs to directly contact the taxpayer.

Taxpayer contact details

The taxpayer contact details are used by SARS as the primary contact details when contacting the taxpayer. These contact details are also used when an OPT is sent by SARS for a taxpayer to authorise a tax type transfer. To update the contact details, the following process must be followed:

1. Select **Home** from the eFiling menu at the top and click on **SARS registered Details**.
2. Select **Maintain SARS registered details**.
3. Select **I agree** to continue and the RAV01 form will open.
4. Select and scroll down to **contact details**.
5. Update the contact details accordingly and press **submit** at the top left corner of the RAV01 form.
6. A message will display confirming that your security contact details have been updated successfully.

It is best practice that the contact details reflected on the RAV01 form be those of the taxpayer or the representative taxpayer and NOT the tax practitioner. Tax practitioners may utilise the appropriate fields on the various returns to complete their contact information.

For more information on how to keep your details up-to-date, read [here](#).

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. Delays in the finalisation of 2024 income tax verifications;
2. Delays in the finalisation and payment of refunds;
3. Delays in the finalisation of bank verification cases;
4. Delays in the finalisation of tax type deregistrations; and
5. Delays in the finalisation of registered representative cases.

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)*.

**For effective and meaningful interactions with SARS, Regional Representatives are urged to provide three specific examples of issues and matters that arise. It should be noted that the regional meetings are not platforms to raise individual escalation, but rather to discuss systemic issues affecting the tax practitioner community at large.*

Feedback from the RCB/SARS regional and national meetings

Feedback from the following regional and stakeholder meetings can be accessed:

1. [Gauteng South](#) regional meeting held on 13 November 2024;
2. [Gqeberha and Kariega](#) stakeholder meeting held on 14 November 2024; and

3. [North West](#) regional meeting held on 18 November 2024.

Feedback from the Western Cape regional meeting held on 20 November 2024 will be available in issue 45 of the Tax Practice: Weekly Highlights.

Upcoming RCB/SARS regional and national meetings

The following regional and national meetings have been scheduled:

1. Gauteng North for 21 November 2024;
2. KwaZulu-Natal for 25 November 2024;
3. eMalahleni, Mpumalanga for 2 December 2024; and
4. Limpopo for 3 December 2024.

Other meetings of interest

1. SARS National Operations meeting scheduled for 28 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: November 2024

Month	Date	Tax Type	Notification
November 2024	07/11/2024	Employment Taxes	EMP201 - Submissions and payments
	25/11/2024	Value-Added Tax	VAT201 - Manual submissions and payments
	29/11/2024	Value-Added Tax	VAT201 - Electronic submissions and payments

SAIT member resources

- [SAIT important tax dates calendar](#) – contains important dates from January 2024 to January 2025 (unchanged).
- [SAIT SARS contact map](#) – links service requirements to SARS channels (unchanged).

Key operational news

Two-pot retirement system withdrawals update

Since the commencement of the two-pot retirement system on 1 September 2024, SARS has observed an unprecedented and steady increase in tax directive applications, likely reflecting the economic challenges faced by households.

As of 18 November 2024, over 2 million directive applications were received and a total of 1 914 306 directives issued with a total gross value of **R35 052 572 876.62**.

The difference between directive applications and directive issued is accounted for in the following manner:

- 169 509 applications were declined for a myriad of reasons, ranging from systems

failures from the fund management entities to wrong identification numbers, wrong tax numbers and etc.

- 41 523 directives were declined because of insufficient funds, wrong codes, and etc.
- 28 525 directives were cancelled by taxpayers who changed their minds.

SARS has attributed the work accomplished so far to the good cooperation with retirement fund management entities. SARS has thanked these institutions for playing a critical role in the tax ecosystem for their professionalism that has allowed SARS to play its part in efficiently and speedily issuing required tax directives.

Deadline extension for beneficial ownership update with the Master's Office

The implementation of the amendments to the Trust Property Control Act, 1988, came into effect on 1 April 2023. The Amendment Act seek to address the shortcomings in beneficial ownership transparency in South Africa's regulatory framework. South Africa, as a member of the Financial Action Task Force (FATF), is obliged to ensure that its regulatory environment is geared towards international standards in anti-money laundering and combating the financing of terrorism.

According to the Amendment Act, a trustee commits an offence if they fail to disclose to an accountable institution that they engage with in the capacity of a trustee, that the relevant transaction or business relationship relates to trust property.

As such, the [deadline](#) for the filing of the beneficial ownership to register with the Master of the High Court has been extended to **30 November 2024**.

It was previously noted that there was a low level of compliance with these provisions by trustees, particularly the lodging of the beneficial ownership information with the Master of the High Court. This low level of compliance would have a significant impact on South Africa exiting the grey-list by the January 2025 deadline. All trustees are reminded that the law is already in operation and remains applicable together with the penalties for non-compliance.

Other SARS and related operational publications and announcements

No other SARS and related operational publications and announcements were made for the week of 14 – 20 November 2024

TAX PRACTITIONER MANAGEMENT

SAIT TaxHelpline – Tax practitioner access and functionality (eFiling)

No recurring tax practitioner access and functionality issues were identified via the TaxHelpline during the week of 14 – 20 November 2024.

Key tax practitioner news

No other tax practitioner news were published during the week of 14 – 20 November 2024.

Government & stakeholder newsletters

SARS publishes the November issue of the VAT Connect Newsletter

On 15 November 2024, SARS published issue 18 of the [VAT Connect newsletter](#). The November 2024 edition of the newsletter covers the following topics:

- Proposed amendments;
- Recent amendments;
- Submissions for proposed amendments 2025;
- Constitutional Court judgement;
- Binding General Ruling 16 updates;
- Publication of rulings;
- VAT enhancements on estimated assessments; and
- Publications.

SARS publishes the November Monthly Tax Digest newsletter

On 15 November 2024, SARS published the November edition of the [Monthly Tax Digest newsletter](#). The latest edition of the newsletter covers the following topics:

- Stay on Top of Your Tax Obligations
- Payments to SARS
- Payment Reference Number (PRN)
- The Deadline for Trusts and Provisional Taxpayers Is 20 January 2025
- Keep Supporting Documents
- Update Your Details

Other tax practitioner access and functionality publications and announcements

- **14 November 2024:** SARS announced that it would be performing planned upgrades to the eFiling platform on Friday, 15 November 2024, at 18:00 to 22:00. During that time, the digital platform may have been unavailable.
- **12 November 2024:** SARS [announced](#) that effective from 18 November 2024, the Vereeniging branch office would be relocated to the Bedworth Centre. The new physical address is [Shop number 12A, Bedworth Centre, Ascot on Vaal Road, Vereeniging](#).

PART B – LEGISLATION & POLICY

LEGISLATION, INTERNATIONAL AGREEMENTS & POLICY

Tax policy & international agreements

National Legislation

Tax review on collective investment schemes: A critical consultation opportunity for members

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Following public consultations, proposed amendments were withdrawn to allow further discussions with industry stakeholders to ensure a balanced approach. Now, National Treasury is inviting public input on draft proposals under section 25BA of the Income Tax Act, 1962, which could redefine the tax treatment for CIS. Stakeholders have until 13 December 2024 to submit written comments to CIS-Tax@treasury.gov.za.

The discussion document outlines two key proposals:

1. **Adopting a full flow-through system:** This proposal advocates for attributing all returns directly to unit holders, as though they had earned them personally. The goal is to treat CISs as fully transparent for tax purposes, bringing the tax treatment in line with global standards; and
2. **Implementing a safe harbour rule:** This proposal suggests a turnover-based threshold where CIS portfolios with trading activity below a certain level would have all gains classified as capital in nature. Portfolios exceeding this threshold would follow the current rules with gains classified according to specific circumstances

This review is critical for the future of collective investment schemes, and the final policy adjustments could be unveiled in the 2025 Budget. Do not miss your chance to shape the conversation.

Final reminder on being part of the tax legislative framework review

As we look ahead to the 2025 Budget Review, taxpayers and tax practitioners have a unique opportunity to influence the tax legislative design. Per standard practice, National Treasury is inviting submissions for technical tax proposals focused on current issues such as unintended anomalies, revenue leakages, and other necessary adjustments to the existing tax legislative framework.

This is a key opportunity for members to address significant technical challenges and contribute to shaping important policy decisions. Submissions are due by 25 November 2024. The virtual workshops are planned for early December 2024, to discuss these proposals. Now is the time to engage and help steer the future of tax policy.

Members who wish to submit commentary may email ksesana@thesait.org.za by no later than 22 November 2024. National Treasury's invitation may be accessed, [here](#).

LEGISLATIVE INTERPRETATION

Reminder regarding submissions to SARS and current calls for comment

SAIT submitted commentary to SARS regarding the draft interpretation note concerning the meaning of 'similar finance charges' under section 24J of the Act. The essence of our submission expresses concerns that the current interpretation – as contained in the draft interpretation note - may not align with the legislative intent or the practical application of section 24J.

The primary purpose of section 24J is to determine the existence of an instrument rather than the nature of the interest incurred. The section deems the issuer to have incurred interest, simplifying the process by focusing on the instrument's existence. The definition of interest is intended to confirm the presence of an instrument, not to assess deductibility. As such, all amounts payable under the terms of the instrument are considered interest. The accrual amount, which is critical for calculating interest for tax purposes, is determined by the yield to maturity, ensuring that the calculation of interest is comprehensive and includes all finance charges.

Our submission questions whether the current interpretation by SARS aligns with the legislative intent. Essentially, all fees payable under the instrument, including raising fees and similar charges, should be included in the yield to maturity calculation. However, the current SARS interpretation seems to attempt to classify these fees separately, which could lead to inconsistent and inaccurate interest calculations.

Our submission, further outlines substantiation in terms of legal jurisprudence that reinforces the position that all finance charges payable under the instrument should be treated as interest for tax purposes.

Our submission discussed the above and provided recommendations that SARS adopt a holistic approach and revise the draft interpretation note to ensure that all finance charges payable under the terms of an instrument are included in the interest calculation and to avoid the unnecessary separation of fees. This, in our view, will provide clarity and accuracy in the application of section 24J, aligning with both the legislative framework and the practical needs of financial transactions.

Members are encouraged to full submission, [here](#).

Legislative interpretation calls for comment

SARS has issued calls for comment pertaining to the following:

- [Invitation to submit technical Annexure C tax proposals for the 2025 Budget.](#)
- [Tax Discussion Documents for Public Comment.](#)

For more information on the calls for comment, click [here](#).

Legislative counsel publications

No other legislative counsel publications were released during the week of 14 – 20 November 2024

Published court cases

No court cases relevant to this publication were published during the week of 14 – 20 November 2024

Other SARS publications and announcements

No other legislative publications or announcements were made by SARS during the week of 14 – 20 November 2024.

OTHER MATTERS OF INTEREST FOR A TAX PRACTICE

Commissioner Kieswetter appointed as Vice Chair of the OECD Forum on tax administration

SARS Commissioner, Mr Edward Kieswetter, was appointed as Vice Chairperson of the Organisation for Economic Co-operation and Development (OECD) Forum on tax administration. The announcement was made during the 17th Forum on Tax Administration (FTA) Plenary held in Athens Greece from 13 - 15 November 2024.

Commissioner Kieswetter joins Mr Bob Hamilton, Commissioner of the Canadian Revenue Agency and Chairperson of the FTA, and Ms Nina Schanke Funnemark, the Director General of the Norwegian Tax Administration and fellow Vice Chair of the FTA.

A diverse Bureau joins the Chair and Vice Chairpersons in setting the direction of the FTA work for the coming two years. The elevation of Commissioner Kieswetter puts South Africa in a strategic role within the OECD FTA to influence the bureau to serve the interests of developing countries.

Access more information on the momentous appointment, [here](#).