2023/24

OFFICIAL GUIDE TO SOUTH AFRICA

ECONOMY AND FINANCE

NATIONAL TREASURY

Government remains committed to the stability of the public finances, to ensure intergenerational fairness and the preservation of critical public services. It also continues to strive to improve the transparency of the budget, maintain high quality data management and analysis, and to provide appropriate advice for the stability of the public sector wage bill and international development cooperation.

National Treasury's legislative mandate is based on Section 216(1) of the Constitution of the Republic of South Africa of 1996, which calls for the establishment of a national treasury to ensure transparency, accountability and sound financial controls in the management of the country's public finances. This role is further elaborated in the Public Finance Management Act (PFMA) of 1999.

The department is mandated to:

- promote national government's fiscal policy and the coordination of macroeconomic policy;
- ensure the stability and soundness of the financial system and financial services;
- coordinate intergovernmental financial and fiscal relations;
- manage the budget preparation process; and • enforce transparency and effective management of national revenue and expenditure, assets and liabilities, public entities, and constitutional institutions.

Over the medium term, the department aimed to focus on enhancing fiscal sustainability through implementing a credible tax system; supporting sustainable employment; supporting infrastructure development and economically integrated cities and communities; managing future spending growth, fiscal risk and government's assets and liabilities; streamlining government procurement; strengthening financial management in government; and facilitating regional and international cooperation.

Enhancing and enforcing a credible tax system

To enhance fiscal sustainability and stability, over the medium term, the department aimed to continue with the implementation of a credible fiscal framework to meet government's revenue requirements, and the promotion of a fair tax system. This will entail having to balance declining tax revenue with increasing government expenditure priorities. In its efforts to achieve this, the department will continue to provide responsive tax proposals that target improved environmental sustainability, less inequality and more revenue over the period ahead.

Supporting sustainable employment

The Jobs Fund offers matched funding grants across four windows – enterprise development, work opportunities through infrastructure development, support for work seekers and institutional capacity building. It will continue to crowd-in the private sector and other resources to achieve greater social impact, and seek to disseminate the knowledge and lessons derived through robust evaluations of its portfolio of projects. Since its inception in April 2011, the fund has disbursed R6.4 billion to various projects. An additional R13.4 billion has been raised in matched funding from project partners.

The Cities Public Employment Programme establishes a framework for metropolitan municipalities to propose, develop and secure funding for employment programmes. The funds are intended for initiating new projects or enhancing existing city-led projects such as upgrading informal settlements; maintaining, developing and managing public spaces and assets within human settlements and economic hubs; promoting greening and cleanliness initiatives; enhancing community safety measures; providing environmental services and management; and promoting community tourism.

Supporting infrastructure development and economically integrated cities and communities

The department aimed to continue enhancing the ability of cities and metros to make sustainable contributions to economic development and generate tax revenue by implementing the catalytic infrastructure and development support programme and facilitating conditional grants.

Through the implementation of township economic development strategies in five targeted metros (City of Cape Town, City of Ekurhuleni, eThekwini, Nelson Mandela Bay and City of Tshwane), the cities support programme will continue to provide support for spatialised, integrated and participatory economic development planning.

This is expected to result in 35 catalytic projects over the medium term in strategically targeted areas within metropolitan cities, intermediate cities and rural towns. Similarly, through the neighbourhood development partnership grant, the department will aim to implement urban network plans through 20 infrastructure development projects in targeted metros. The municipal finance improvement programme will continue supporting the financial management reform agenda to address financial management problems in local government.

The department planned to comprehensively redesign the programme in 2024/25 to enhance the support provided to all spheres of government to improve financial management compliance, support, monitoring and oversight in local government.

The department plans to introduce the smart meters indirect grant over the medium term. This grant is aimed at supporting local government efforts to improve efficiency, billing accuracy and service delivery by empowering municipalities to deploy smart meter technology. This is expected to enhance revenue generation and cost recovery, and underscores the department's commitment to sustainable development and the prioritisation of investing in energy infrastructure at the local government level.

Managing future spending growth, fiscal risk and government's assets and liabilities

The department continues to implement proactive measures to manage expenditure and maintain fiscal discipline over the medium term to steer the country towards fiscal stability and ensure sustainable growth amid prevailing uncertainties. Central to this is enforcing prudent financial management through financial analysis and oversight, with a focus on reforming the size, structure and efficiency of the state, including state-owned entities. Furthermore, the reviewing of all corporate plans, annual reports and guarantee applications from state-owned entities will continue over the medium term.

Streamlining government procurement

The Office of the Chief Procurement Officer planned to focus on enforcing the procedures in the Public Procurement Act of 2024 to promote transparency and value for money in the public procurement system.

Compliance was expected to be further strengthened by publishing approved supply chain management directives, and increasing the coverage of transversal-term contracts and the rollout and institutionalisation of the strategic procurement framework and good practice guides.

Strengthening financial management in government

The Office of the Accountant-General will continue to promote good financial governance with the aim of improving capacity and competency in all spheres of government and public entities. This entails improving understanding and the practical implementation of financial reforms, which is expected to contribute towards improved monitoring, reporting and enforcement of the legal framework, as contained in the PFMA of 1999 and the Municipal Finance Management Act (MFMA) of 2003. Central to this is the implementation of amendments to the legislative obligations stipulated in both Acts.

The proposed amendments include reviewing the definitional elements of irregular and fruitless and wasteful expenditure. The proposed amendments of the PFMA of 1999 have addressed matters pertaining to the disclosure of these regulatory concepts in the annual financial statements and annual report. The proposed amendments to the MFMA of 2003 will also address how municipalities and municipal entities detect and address irregular expenditure, including the implementation of consequence management.

The department continues to develop the Integrated Financial Management System, which is aimed at enhancing the effectiveness and efficiency of the back-end public service functions.

Facilitating regional and international cooperation

The department continues to advance South Africa's interests through representation in international and regional financial institutions, as well as by managing bilateral and multilateral relationships through regional engagements. Work on the development of the country partnership framework and engagement strategies will continue over the medium term, with focus on the implementation of the Southern African Customs Union's 2022-2027 Strategic Plan. National Treasury will oversee the implementation of country partnership programmes aligned with the uptake of development funding to South Africa from the African Development Bank Group, the World Bank Group and the New Development Bank.

Entities under National Treasury:

The **Development Bank of Southern Africa** (DBSA) was reconstituted in terms of the DBSA Act of 1997 as a development finance institution with the primary purpose of promoting economic development and growth. The DBSA also promotes the development of human resources and institutional capacity by mobilising financial and other resources from national and international private and public sector partners for sustainable development projects and programmes in South Africa and other Southern African countries.

Over the medium term, the bank aims to focus on infrastructure development. It is committed to supporting government's economic recovery by disbursing infrastructure funding in priority areas such as energy, transport and ICT; and aims to contribute towards the development of municipal capacity in the provision of electricity, water and sanitation.

The **Land and Agricultural Development Bank of South Africa** is a development finance institution and its mandate is to address agricultural and rural development. The bank operates in the primary agriculture and agribusiness sectors, and is regulated by the Land and Agricultural Development Bank Act of 2002 and the PFMA of 1999. The bank is expected to play a pivotal role in advancing agriculture and rural development on an ongoing basis.

Its broader mandate is to promote the equitable ownership of agricultural land, particularly by historically disadvantaged people; agrarian reform, land redistribution or development programmes for historically disadvantaged people; land access for agricultural purposes; productivity, profitability, investment and innovation in agriculture; the growth of the agricultural sectors and better use of land; rural development and job creation; commercial agriculture; and food security.

The **South African Revenue Service** (SARS) is, in terms of the SARS Act of 1997, mandated to collect all revenue due to the State and administer trade to support government in meeting its key developmental objectives for growth. This involves facilitating legitimate trade, protecting South Africa's ports of entry, and eliminating illegal trade and tax evasion.

As its principal contribution to South Africa's economic and social development, the revenue service's focus over the medium term will continue to be on providing government with more than 90% of the revenue it requires to meet its policy and delivery priorities. It aims to do this by modernising its ICT systems to encourage eFiling, improve the experience of taxpayers, monitor compliance and make tax collection more efficient.

The **Accounting Standards Board** was established to develop uniform standards of generally recognised accounting practice for all spheres of government in terms of Section 216(1)(a) of the Constitution and the PFMA of 1999. The board also promotes transparency and the effective management of the revenue, expenditure, assets and liabilities of the entities to which the standards apply.

The board's Taking Stock programme assesses the development, approval and adoption of generally recognised standards by organs of state. Upon completion of the programme in 2026, the board intends to focus on enhancing the use of information obtained from financial statements and on aligning existing standards with international best practice.

The **Cooperative Banks Development Agency** was established in terms of the Cooperative Banks Act of 2007. The agency is mandated to facilitate, support and develop cooperative banking with the strategic focus of driving growth and sustainability in the cooperative banking sector, and contributing to a transformed financial services sector in terms of ownership and meaningful participation in the mainstream banking sector.

Over the medium term, the agency aimed to focus on expanding the footprint of sustainable, professionalised, modernised and technology-enabled cooperative banking institutions, thereby growing the membership base, member deposits and the asset base. This entails directly supporting, promoting and developing cooperative banking institutions through the provision of training and education workshops, information sessions, and the development of management tools to enhance their performance. The agency's planned merger with the Small Enterprise Development Agency and Small Enterprise Finance Agency was scheduled for April 2025.

The **Financial and Fiscal Commission** (FFC) derives its mandate from the FFC Act of 1997, which requires the commission to advise relevant authorities on financial and fiscal requirements for national, provincial and local spheres of government in terms of Section 220 of the Constitution. Other legislation that informs the commission's mandate includes the Borrowing Powers of Provincial Governments Act of 1996, the Intergovernmental Fiscal Relations Act of 1997, the Provincial Tax Regulation Process Act of 2001, the MFMA of 2003, the Municipal Systems Amendment Act of 2003, the Municipal Fiscal Powers and Functions Act of 2007, and the Money Bills Amendment Procedure and Related Matters Act of 2009.

Over the medium term, the commission remains committed to delivering recommendations to stakeholders, including Parliament, to improve the credibility of financial stewardship over fiscal resources and augment the efficacy of public spending.

The **Financial Intelligence Centre** was established by the FIC Act (FICA) of 2001 to combat money laundering activities and the financing of terrorist and related activities, identify the proceeds of unlawful activities, exchange information with law enforcement and other local and international agencies, supervise and enforce compliance with the FICA of 2001, and facilitate effective supervision and enforcement by supervisory bodies in terms of the Act.

By mid-2024, the centre is in the process of scaling up its forensic work to provide effective support on high-impact investigation cases. This is expected to contribute to reducing costs that the state incurs using private forensic service providers, in line with the recommendations of the Financial Action Task Force.

The centre also intends to invest in fintech over the period ahead to help fight financial crime in the digital financial environment. The investment will go towards continuous upgrades, maintenance and support of the centre's ICT infrastructure. This will ensure that its systems remain relevant, secure, stable and able to support complex operations.

The **Financial Sector Conduct Authority** was established in 2018 by the Financial Sector Regulation Act of 2017 as 1 of the 2 pillars of the twin peaks model for regulating the financial sector. It is mandated to enhance the efficiency and integrity of financial markets, promote fair customer treatment by financial institutions, provide financial education and promote financial literacy, and assist in maintaining financial stability. Its mandate has been expanded to include the administration of the Financial Sector and Deposit Insurance Levies Act of 2022. Over the medium term, the authority will focus on regulating and supervising the financial services sector's market conduct; ensuring the integrity and efficiency of formal markets and allied institutions; protecting consumers of financial services; and improving access, which includes providing financial literacy programmes.

The **Government Pensions Administration Agency** provides pension administration services to the Government Employees Pension Fund in terms of the Government Employees Pension Law of 1996 and the Associated Institutions Pension Fund Act of 1963. Post-retirement medical subsidies are administered as provided for and regulated by resolutions of the Public Service Coordinating Bargaining Council, military pensions are administered in terms of the Military Pensions Act of 1976, injury-on-duty payments are administered in terms of the Compensation for Occupational Injuries and Diseases Act of 1993, and special pensions are administered in terms of the Special Pensions Act of 1996.

Over the medium term, the agency intends to focus on accelerating the modernisation of business solutions such as IT systems and payment processes, to enable it to effectively deliver on its strategic outcomes by optimising the core support it provides. This is expected to result in a more capable and reliable administration system with digitised processes and efficient case and admissions management.

These interventions, in turn, are expected to lead to a reduction in turnaround times for processing and paying benefits from 45 days to less than 25 days, and an improvement in the management and accuracy of client data. Once the modernisation is complete, the agency expects to be able to reach 65% of its clients through digital platforms.

The **Government Technical Advisory Centre** was established in terms of the Public Service Act of 1994 and is mandated to assist organs of state in building their capacity for efficient, effective and transparent financial management. The centre's overarching objectives are to render consulting services to government departments and other organs of state, provide specialised procurement support for high-impact government initiatives, render advice on the feasibility of infrastructure projects, and provide knowledge management and ancillary support for projects. These objectives serve as the centre's ongoing focus areas.

The **Independent Regulatory Board for Auditors** was established under the Auditing Profession Act of 2005. The board is mandated to: protect the public by regulating audits performed by registered auditors; improve the development and maintenance of internationally comparable ethical and auditing standards for auditors that promote investment and, as a consequence, employment in South Africa; set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and provide for procedures for disciplinary action in instances of improper conduct.

Over the medium term, the board will focus on ensuring that it is sustainable and relevant; ensuring the quality of industry audits; facilitating comprehensive stakeholder engagements; and conducting disciplinary hearings and investigations, which will require the appointment of consultants.

Over the medium term, the board aimed to focus on developing and maintaining internationally comparable auditing and ethical standards; providing an appropriate framework for the education and training of adequately qualified auditors; inspecting and reviewing the work of registered auditors; and investigating and taking appropriate action against registered auditors who do not comply with standards and are guilty of improper conduct. The entity planned to undergo a digital transformation by upgrading its ICT infrastructure over the medium-term period.

The **Office of the Ombud for Financial Services Providers** was established in terms of the Financial Advisory and Intermediary Services Act of 2002, which gives the ombud statutory powers to consider and dispose of complaints against financial services providers, primarily intermediaries selling investment products.

Over the medium term, the ombud aimed to focus on ensuring that cases are properly assessed and appropriately handled up to finalisation, informing stakeholders on the role and functions of the ombud, acquiring and retaining appropriate skills to properly discharge its mandate, ensuring that risk is adequately managed across the enterprise, and ensuring that appeals or reviews of decisions are appropriately dealt with.

The **Office of the Pension Funds Adjudicator** to investigate and determine complaints lodged in terms of Section 30B of the Pension Funds Act of 1956. The adjudicator is required to ensure the procedurally fair, economical and expeditious resolution of complaints by: ensuring that its services are accessible to all; investigating complaints in a procedurally fair manner; resolving complaints justly and expeditiously, in accordance with the law; incorporating innovation and proactive thought and action into its activities; and supporting, encouraging and providing opportunities for individual growth.

The office's strategic objectives are aligned with the National Development Plan's vision of building a capable and developmental state, and supporting Priority 1 (economic transformation, job creation and social protection) of government's Medium Term Strategic Framework.

The **Public Investment Corporation** (PIC) is a registered financial services provider in terms of the Financial Advisory and Intermediary Services Act of 2002. It is wholly owned by the South African government, with the Minister of Finance as shareholder representative. The PIC manages assets for its clients, all of which are public entities. Its ongoing focus is to invest funds on behalf of its clients based on their investment mandates and approved by the Financial Sector Conduct Authority. As the corporation anticipates an increase of assets under its management, it plans to appoint more specialised human resources.

- The **South African Special Risks Insurance Association** (SASRIA) was established in 1979 and registered in terms of the Companies Act of 1973. Its mandate is prescribed and informed by the Reinsurance of Damages and Losses Act of 1989 and the Conversion of South African Special Risks Insurance Association Act of 1998.

  Its ongoing focus is on providing insurance for special risks such as civil commotion, public disorder, strikes, riots and terrorism. SASRIA is mandated to make a positive contribution to transforming the financial services industry, in line with the National Development Plan's vision to create a better and sustainable economic environment for all South Africans.

South African Reserve Bank (SARB)

The primary mandate of the SARB is to protect the value of the currency in the interest of balanced and sustainable economic growth. In addition to this, the SARB has a statutory mandate to enhance and protect financial stability in South Africa. The SARB is also responsible for:

- issuing and destroying banknotes and coins;
- regulating and supervising financial institutions;
- managing the official gold and foreign reserves of the country;
- managing the national payments system;
- administering the country's remaining exchange rate control systems;
- acting as the banker to government; and
- acting as lender of last resort to provide liquidity assistance in exceptional cases.

The independence and autonomy of the SARB are entrenched in the Constitution. The SARB has the independence to use any of the monetary policy instruments at its disposal to achieve its monetary policy goal. However, the selection of a monetary policy goal is the responsibility of government. The Governor of the SARB holds regular discussions with the Minister of Finance and meets periodically with members of the Parliamentary Portfolio and Select Committees on Finance.

In terms of Section 32 of the SARB Act of 1989, the Bank publishes a monthly statement of its assets and liabilities and submits its annual report to Parliament. The Bank is therefore ultimately accountable to Parliament.

Tax administration

National Treasury is responsible for advising the Minister of Finance on tax policy issues. As part of this role, National Treasury must design tax instruments that can optimally fulfil a revenue-raising function. These tax instruments must be aligned to the goals of government's economic and social policy.

These instruments are then administered by SARS. A single, modern framework for the common administrative provisions of various tax Acts administered by SARS, excluding Customs, was established by the Tax Administration Act of 2011, which commenced on 1 October 2012.

The Act simplifies and provides greater coherence in South African tax administration law. It eliminates duplication, removes redundant requirements, and aligns disparate requirements that previously existed in different tax Acts administered by SARS. The Act provides for common procedures across the various tax Acts, and strives for an appropriate balance between the rights and obligations of SARS and the rights and obligations of taxpayers in a transparent relationship.

The Office of the Tax Ombud is intended to provide taxpayers with an impartial and low-cost mechanism to address service, procedural or administrative difficulties that taxpayers have not been able to resolve through SARS's complaints management channels.

South African tax system

South Africa has a residence-based income tax system. Residents are, subject to certain exclusions, taxed on their worldwide income, irrespective of where their income was earned. Non-residents are taxed on their income from a South African source, subject to relief under Double Taxation Agreements. Foreign taxes are credited against South African tax payable on foreign income.

Personal Income Tax

PIT is one of government's main sources of income. Income tax is levied on residents' worldwide income, with appropriate relief to avoid double taxation. Non-residents are taxed on their income from a South African source. Tax is levied on taxable income that, in essence, consists of gross income less exemptions and allowable deductions. (Taxable capital gains also form part of taxable income). Individuals generally receive most of their income as salary/ wages, pension/retirement payments and investment income (interest and dividends). Some individuals may also have business income which is taxable as personal income (for example, sole proprietors and partners).

Corporate Income Tax (CIT)

CIT is a tax imposed on companies resident in South Africa, which are incorporated under the laws of, or which are effectively managed in, the country, and which derive income from within or outside the country. Non-resident companies which operate through a branch or which have a permanent establishment within South Africa are subject to tax on all income from a source within the country.

Dividends Tax (DT)

DT is a tax on shareholders (beneficial owners) when dividends are paid to them, and, under normal circumstances, is withheld from their dividend payment by a withholding agent (either the company paying the dividend or, where a regulated intermediary is involved, by the latter). A dividend is in essence any payment by a company to a shareholder in respect of a share held in that company, excluding the return of contributed tax capital (i.e. consideration received by a company for the issue of shares). It is triggered by the payment of a dividend by any South African tax resident company or foreign company whose shares are listed on a South African Exchange.

Air Passenger Tax (APT)

In 2000 the Minister of Finance announced that an APT was to be instituted on chargeable passengers on a chargeable aircraft departing from an airport in South Africa to a destination outside the country. This is also applicable to charter companies. The tax is not applicable to domestic flights. It is only applicable to chargeable passengers leaving on an international flight. Operators (airline), registered agents (those acting on behalf of an operator) or charter companies will be liable for the payment of the APT to SARS monthly after reconciliation of the passenger manifests. Non carrying passenger airlines (cargo) are required to register for APT purposes but are not liable for APT payments.

Capital Gains Tax (CGT)

CGT is not a separate tax but forms part of income tax. A capital gain arises when you dispose of an asset on or after 1 October 2001 for proceeds that exceed its base cost.
The relevant legislation is contained in the Eighth Schedule to the Income Tax of 1962. Capital gains are taxed at a lower effective tax rate than ordinary income. Pre-1 October 2001 CGT capital gains and losses are not considered. Not all assets attract CGT and certain capital gains and losses are disregarded. A withholding tax applies to non-resident sellers of immovable property (Section 35A).

The amount withheld by the buyer serves as an advance payment towards the seller's final income tax liability. CGT applies to individuals, trusts and companies. A resident, as defined in the Income Tax Act 58 of 1962, is liable for CGT on assets located both in and outside South Africa. A non-resident is liable to CGT only on immovable property in South Africa or assets of a "permanent establishment" (branch) in the country.

Certain indirect interests in immovable property such as shares in a property company are deemed to be immovable property. Some persons such as retirement funds are fully exempt from CGT. Public benefit organisations (PBOs) may be fully or partially exempt.

Diamond Export Levy

The Diamond Export Levy on unpolished diamonds exported from South Africa was introduced on 1 November 2008. SARS is mandated to administer and collect this levy in terms of the Diamond Export Levy Act of 2007. All producers, dealers, beneficiators and holders of permits must pay this levy when exporting such diamonds. The aim of the Diamond Export Levy is, among others, to promote the development of the local economy by encouraging the local diamond industry to process diamonds locally, develop skills and create employment.

Skills Development Levy (SDL)

The SDL is a levy imposed to encourage learning and development in South Africa and is determined by an employer's salary bill. The funds are to be used to develop and improve skills of employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of this levy. The following employers are exempt from paying SDL:

- Any public service employer in the national or provincial sphere of government. (These employers must budget for an amount equal to the levies due for training and education of their employees).
- Any national or provincial public entity, if 80% or more of its expenditure is paid directly or indirectly from funds voted by Parliament. (These employers must budget for an amount equal to the due for training and education of their employees).
- Any PBO, exempt from paying Income Tax in terms of Section 10(1) (cN) of the Income Tax Act of 1962, which only carries on certain educational, welfare, humanitarian, healthcare, religion, belief or philosophy public benefit activities or only provides funds to these PBOs and to whom a letter of exemption has been issued by the Tax Exemption Unit.
- Any municipality to which a certificate of exemption is issued by the Minister of Higher Education and Training.
- Any employer whose total remuneration subject to SDL (leviable amount) paid/due to all its employees over the next 12-month period won't exceed R500 000. If this is the reason for exemption, these types of employers are not required to register to pay SDL.

Unemployment Insurance Fund (UIF)

The UIF is mandated to alleviate poverty by providing effective short-term unemployment insurance to all workers who qualify for unemployment and related benefits, as legislated in the Unemployment Insurance Act of 2001. Over the medium term, the fund aimed to focus on providing social insurance benefits and improving coverage to vulnerable groups and contributors.

The fund's primary operations include registering employers and employees, collecting contributions from employers, and paying benefit claims to eligible contributors. The architectural and organisational review and the integrated claims management system projects that are under way within the department should enable the fund to institute improved systems and capabilities. This is expected to result in updated employer and employee registers and linked systems for the lodging and payment of claims within shorter turnaround times.

Over the period ahead, the fund plans to enhance the functionality and capabilities of its mobile applications to provide a range of services that are expected to alleviate queues in labour centres, among other things. To enhance the capabilities of labour centres over the medium term, the UIF planned to deploy mobile buses with kiosks in KwaZulu-Natal, Gauteng and North West. Through its Temporary Employer/Employee Relief Scheme, the fund provides support to distressed businesses that seek to retain their employees. On behalf of the fund, the Commission for Conciliation, Mediation and Arbitration is responsible for the administration of the scheme and adjudicating applications.

Donations tax

A donation is any gratuitous (free or at no charge) disposal of property including any gratuitous waiver or renunciation of a right. If the person (donee) receiving the donation gives anything in return, it is not a donation. A donation takes effect when all legal formalities for a valid donation have been complied with. Donations tax is levied at a rate of 20% on the aggregated value of property donated not exceeding R30 million, and at a rate of 25% on the value exceeding R30 million.

Donations tax applies to any person (for example: individual, company or trust) that is a resident and non-residents are not liable for donations tax. The person making the donation (donor) is liable to pay the donations tax, however if the donor fails to pay the tax within the payment period the donor and donee are jointly and severally liable

Estate Duty

When a natural person (taxpayer) dies, that person is called a 'deceased person' and all his or her assets on date of death will be placed in an estate. This estate is called an estate of a deceased person (commonly known as a 'deceased estate'). Assets in a deceased estate can amongst other things include immovable property (house), movable property (car, furniture, etc), cash in the bank, etc. The person who administers a deceased estate is called an 'Executor'. Once the Executor has finalised all the administration in the deceased estate, the remaining assets (after paying all the debts) will be distributed to the beneficiaries.

A beneficiary can consist of either heirs and/or legatees. A legatee is a person who receives a specific asset from the deceased estate. An heir is a person who receives the balance of the estate (that is, after all disposals to a legatee are finalised). Estate Duty is levied on the worldwide property and deemed property of a natural person who is ordinarily resident in South Africa and on South African property of non-residents. Various deductions under Section 4 of the Estate Duty Act of 1955 are allowed to determine the net value of the estate.

An abatement of R3.5 million is allowed against the net value of the estate to determine the dutiable value of the estate. The Estate Duty is levied on the dutiable value of an estate at a rate of 20% on the first R30 million and at a rate of 25% on the dutiable value of the estate above R30 million.

Securities Transfer Tax (STT)

STT is levied at the rate of 0,25% on every transfer of a security, which means any share or depository in a company or member's interest in a close corporation, and any reallocation of securities from a member's bank restricted stock account or a member's unrestricted and security restricted stock account to a member's general restricted stock account.

Transfer Duty

Transfer Duty is a tax levied on the value of any property acquired by any person by way of a transaction or in any other way. For the purpose of Transfer Duty, property means land and fixtures and includes real rights in land, rights to minerals, a share or interest in a "residential property company" or a share in a share-block company. All conveyancers are requested to register with SARS.

Value-Added Tax (VAT)

VAT is an indirect tax on the consumption of goods and services in the economy. Revenue is raised for government by requiring a business, that carries on an enterprise to register for VAT. In doing so, the business will charge VAT on supplies of goods and services made by it, on the importation of goods and on imported services (subject to certain conditions).

The business will also be entitled to deduct any VAT charged to it, or under limited circumstances from a business that is not registered for VAT, in respect of a supply made to it. VAT is therefore non-cumulative, meaning that a credit/ deduction is allowed for VAT paid in previous stages, within the production and distribution chain.

The business is required to pay the difference between the VAT charged by it and the VAT charged to it, or claim a VAT refund where the VAT charged to it exceeds the VAT charged by it. VAT is therefore, charged at each stage of the production and distribution process and it is proportional to the price charged for the goods and services.

It is compulsory for a person to register for VAT if the value of taxable supplies made or to be made, is in excess of R1 million in any consecutive 12-month period. The standard rate of VAT is 15%, and there is a limited range of goods and services which are subject to VAT at the zero rate or are exempt from VAT.

The following goods and services are zero-rated:
- Exports
- 19 basic food items
- Illuminating paraffin
- Goods which are subject to the fuel levy (petrol and diesel)
- International transport services
- Farming inputs
- Sales of going concerns, and
- Certain grants by government.

Goods and services exempted from VAT are:
- Non-fee related financial services;
- Educational services provided by an approved educational institution;

- Residential rental accommodation; and
- Public road and rail transport.

Basic foodstuffs zero-rated in South Africa

Brown bread; Maize meal; Samp; Mealie rice; Dried mealies; Dried beans; Lentils; Pilchards/ sardinella in tins; Milk powder; Dairy powder blend; Rice; Vegetables; Fruit; Vegetable oil; Milk; Cultured milk; Brown wheaten meal; Eggs; Edible legumes and pulses of leguminous plants.

Fuel taxes

The basic fuel price is related to the costs of purchasing petroleum products from international markets, and the costs related to shipping these products to South Africa. This cost is largely influenced by the international price of crude oil and the R/$ exchange rate.

Environmental levies

The South African Government has responded to the serious global challenge of environmental pollution and climate change by introducing several environmental taxes that are intended to modify behaviour of the country's citizens for sustainable development of the economy.

Plastic Bag Levy

The Plastic Bag Levy was introduced to reduce litter and encourage plastic bag reuse. It is charged at 32 cents per bag as from 1 April 2024.

Electricity Generation Levy

The electricity generation levy was Introduced to encourage sustainable electricity generation and use. The levy is applied to electricity generated from non-renewable sources and costs 3.5 cents per kWh.

Incandescent Bulb Levy

The electric filament lamp levy was introduced to promote energy efficiency by discouraging the use of incandescent light bulbs. It is charged at R10 a bulb from 1 April 2020.

CO_2 Motor Vehicle Emissions Levy

The CO_2 motor vehicle emissions levy on passenger and double- cab vehicles was introduced to encourage the manufacture and purchase of more energy efficient motor vehicles. It is charged at R120 for every gram above 95gCO_2/km for passenger vehicles and R160 for every gram above 175gCO_2/km for double cab vehicles.

Tyre Levy

The tyre levy on new pneumatic tyres was introduced to encourage efficient tyre use. Although the tyre levy is not earmarked, it indirectly supports the responsible recycling of obsolete tyres. The levy was implemented in 2017 and the current rate is R2.30/kg.

Health Promotion Levy

The Sugary Beverages Levy took effect on 1 April 2018 and the current rate is 2.21 cent/gram of the sugar content that exceeds 4g/100 ml. The levy applies to specific sugary drinks and concentrates used in the manufacture of sugary drinks to combat obesity and promote healthier consumer beverage choices.

Diamond Export Levy

A Diamond Export Levy on unpolished diamonds exported from South Africa was introduced, effective from 1 November 2008 at a rate of 5% of the value of such diamonds.

Southern African Customs Union (SACU)

SACU consists of Botswana, Lesotho, Namibia, South Africa and Eswatini. The SACU Secretariat is located in Windhoek, Namibia. SACU was established in 1910, making it the world's oldest Customs Union. Negotiations to reform the 1969 Agreement started in 1994, and a new agreement was signed in 2002. The member states form a single customs territory in which tariffs and other barriers are eliminated on substantially all the trade between the member states for products originating in these countries; and there is a common external tariff that applies to non-members of SACU.

Excise duties

Excise duties are levied on certain locally manufactured goods and their imported equivalents. Specific excise duties are levied on tobacco and liquor products. Ad valorem excise duties are levied on products such as motor vehicles, cellular telephones, electronics and cosmetics.

Customs duties

Customs duties are imposed by the Customs and Excise Act of 1964. Ordinary customs duty is a tax levied on imported goods and is usually calculated on the value of goods imported and collected by the customs unit within SARS. Customs duty rates in Part 1 of Schedule No. 1 and trade remedies relating to the importation of goods such as anti-dumping, countervailing and safeguard duty are set out in Schedule No. 2 of the Schedules to the Act and are determined through trade policy in terms of the International Trade Administration Act of 2002 administered by the International Trade Administration Commission.

Other taxes

Rates on property

Property-related taxes include municipal rates and charges for refuse and sewerage, which are collected by municipalities.

Payment channels

Most taxpayers are now using electronic payment platforms which significantly improve turnaround times. Cash collections at branches have been reduced as have the risks associated with them. From 1 May 2020, cheque payments in South Africa may not be more than R50 000. Payment methods other than branch payments are:

- eFiling: this required a taxpayer to register as an eFiling client to make electronic payments using this channel; and
- Payments at banks: taxpayers can make either an internet banking transfer or an over the-counter deposit.

Voluntary Disclosure Programme (VDP)

A permanent VDP was introduced in terms of the Tax Administration Act of 2011, from 1 October 2012. The permanent VDP is part of a package of compliance measures aimed at encouraging non-compliant taxpayers to regularise their tax affairs.

DEPARTMENT OF PUBLIC ENTERPRISES (DPE)

The DPE has been dissolved and its responsibilities moved to The Presidency. The Department of Planning, Monitoring and Evaluation (DPME) was tasked with the coordination of state-owned enterprises (SOEs) and the advancement of the establishment of a Holding Company Bill - National State Enterprises Bill - under which the SOEs will fall.

SOEs play a key role in economic, socio-economic, and skills development in South Africa, helping the country globally. The Holding Company aims to strengthen SOEs by centralizing their coordination. With the cessation of the DPE, some staff members will be reassigned to their respective policy-holding departments.

State-owned enterprises:

- **Alexkor** – It was established in terms of the Alexkor Limited Act of 1992 to exploit marine and land diamonds in Alexander Bay, Northern Cape. The company holds a 51% share interest in the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture and the Richtersveld Community holds 49%. Alexkor does not have any other mining operations outside the joint venture.

  Over the medium term, the company aimed to focus on its turnaround strategy for joint venture operations, which have significantly declined over the past three years, with land mining production decreasing to 35 000 carats in 2022/23. Reasons for this include a lack of funding to undertake exploration activities and maintain old infrastructure.

  An immediate intervention is to seek mining contractors with the financial and technical capabilities to undertake large-scale mining operations. For the long term, Alexkor's role should be determined considering the challenges it faces.

- **Denel** – It was incorporated as a private company in 1992 in terms of the Companies Act of 1973, with the South African Government as its sole shareholder. It operates in the military aerospace and landward defence environment and provides strategic defence equipment. The company's broad focus over the medium term will be on implementing its turnaround plan, which entails rolling out its new operating model, optimising its cost structure and restructuring.

The new operating model reduces Denel's structure from six core business units to four according to capability domains – aviation, munitions, and land and integrated systems solutions. The company's immediate focus is to stabilise its operations and deliver on existing contracts to improve cash flow and continue to build trust with customers and partners.

- **Eskom** – Eskom is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors.

  Over the medium term, the company's board aimed to work with the National Energy Crisis Committee to improve its operational performance. The committee planned to oversee the implementation of an Energy Action Plan to end load-shedding and achieve energy security. To increase the performance of Arnot, Duvha, Kendal, Kriel, Kusile, Majuba, Matimba, Matla and Tutuka, the power utility focused on maintaining and fixing damaged equipment.

- **South African Forestry Company** – It was established in 1992 in line with the Management of State Forests Act of 1992. Its mandate is to develop and manage the state's commercial plantation forests, timber-processing plants and other assets within the entity's group. The company contributes to rural economies in Mpumalanga, Limpopo and KwaZulu-Natal through the creation of about 1 513 direct jobs and more than 1 000 employment opportunities in small to medium companies through community projects and other services.

  The company aimed to diversify its revenue strategy over the medium term by focusing on contributions from high-value products, particularly plantation, processing and related ventures. Central to this is the enhancement of the Timbadola processing plant in Limpopo, which is expected to significantly trim operational expenses and thereby elevate overall performance.

  The company planned to commercialise its strategic project pipeline. This includes the establishment of the combined heat and power plant using biomass from the forests, which will reduce the impact of load-shedding on operations and enable the sale of electricity to the local municipality as well as commission a finger jointer and planer machine to produce high quality products.

- **South African Airways** (SAA) – It has returned to the international market. The airline is responsible for promoting air links with South Africa's key business, trading and tourism markets across the world, and contributing to key domestic air linkages. The company was placed under business rescue in December 2019 and came out of the process in April 2021. It resumed flight operations in September 2021, operating domestically and regionally, and initially operated six aircraft on five routes. By mid-2024, the airline was operating 13 aircraft on 15 routes.

- **Transnet** – It provides and operates freight transportation services and infrastructure. The company's key strategic objectives include improving the competitiveness of logistics, promoting a modal shift from road to rail, increasing logistics connectivity, attracting private investment, developing skills and promoting reindustrialisation.

DEPARTMENT OF TRADE, INDUSTRY AND COMPETITION (the dtic)

The mandate of the dtic is derived from a broad legislative framework, which includes the:
- Industrial Development Corporation Act of 1940;
- Manufacturing Development Act of 1993;
- Competition Act of 1998, as amended;
- International Trade Administration Act of 2002;
- Broad-based Black Economic Empowerment Act of 2003;
- Companies Act of 2008;
- Consumer Protection Act of 2008; and
- Special Economic Zones Act of 2014.

The department's overarching objective is to implement the reimagined industrial strategy, which presents a multipronged approach to industrial development with an emphasis on building partnerships with the private sector to secure investment that creates jobs. This entails supporting the implementation of key interventions of South Africa's economic reconstruction and recovery plan. To give expression to this, the department's medium-term focus will be on providing industrial finance, developing industrial infrastructure, and enhancing competitiveness and localisation.

Providing industrial finance

The department provides financial support to businesses for the acquisition of new plants and equipment. Following Cabinet's approval of the *2023 Electric Vehicles White Paper*, funds were reprioritised from various programmes to support the transition from internal combustion engines to electric vehicles, in line with global trends.

Additional funds were reprioritised towards incentives in the services sector, which include the global business services, and film and television development incentives. The film and television development incentive is expected to help create jobs.

Developing industrial infrastructure

A critical part of the economic reconstruction and recovery plan requires the department to make interventions that catalyse investment through infrastructure development. Accordingly, over the period ahead, the department planned to subsidise bulk infrastructure and factories in special economic zones and revitalise a targeted 16 industrial parks.

Enhancing industrial competitiveness and localisation

The department aimed to focus on increasing industrialisation, enhancing competitiveness and creating decent jobs through various sector interventions over the next three years. Master plans premised on collaboration and common vision among government, business and labour are key to achieving this as they encourage ownership and accountability among stakeholders, which helps to build trust and policy certainty.

The dtic continues to coordinate the implementation of existing collaborative master plans for the automotive, poultry, sugar, steel and metal fabrication, clothing and textiles, and furniture sectors. A master plan for the medical devices sector is expected to be approved and implemented over the period ahead. The department will also continue to implement sectoral programmes for aerospace and defence; electro-technical industries; white goods; construction; chemicals; plastics; cosmetics; and pharmaceuticals.

DEPARTMENT OF SMALL BUSINESS DEVELOPMENT (DSBD)

The DSBD is tasked with the responsibility of leading and coordinating an integrated approach to the promotion and development of entrepreneurship, small businesses and cooperatives; and ensuring an enabling legislative and policy environment to support their growth and sustainability. The realisation of this mandate is expected to lead to a transformed and inclusive economy driven by sustainable, innovative small, medium and micro enterprises (SMMEs) and cooperatives.

Over the medium term, the department aimed to focus on enabling greater access to financial and non-financial support for SMMEs, cooperatives, startups, and township and rural enterprises; exposing SMMEs and cooperatives to global market opportunities; refurbishing or building approved business infrastructure for SMMEs and cooperatives; and supporting informal businesses through the informal and micro enterprise development programme.

Over the medium-term period, the department aimed to link 600 SMMEs and cooperatives to international market opportunities through events at which they can showcase their products, with emphasis on enterprises run by women, young people and people with disabilities.

From 1 October 2024, the Small Enterprise Development and Finance Agency commenced its operations. It was formed when Small Enterprise Finance Agency, Small Enterprise Development Agency and the Cooperative Banks Development Agency were officially merged, under the National Small Enterprise Amendment Act of 2024.

Johannesburg Stock Exchange (JSE)

The JSE is a multi-asset class stock exchange that offers listings, trading clearing and settlement, information services and issuer services. Founded in 1887, the JSE is Africa's largest stock exchange by market capitalisation. It is the 16th largest stock exchange in the world. The JSE operates five financial markets: the Equity Market, the Equity Derivatives Market, the Currency Derivatives Market, the Interest Rate Market and the Commodity Derivatives Market.

South African Anti-Money Laundering Integrated Task Force (SAMLIT)

SAMLIT was formed in 2019 as a public-private partnership of regulatory authorities (the FIC and the Prudential Authority of the SARB), 26 domestic and international banks registered in South Africa, and banking industry representatives, namely, the South African Banking Risk Information Centre and the Banking Association South Africa.

Its primary objectives include increasing knowledge on financial flows associated with financial crimes and facilitating timeous information sharing with the intention of identifying, disrupting and preventing the furtherance of financial crime. This is achieved through collaboration with law enforcement, prosecutorial authorities and others.