ECONOMY AND FINANCE

OFFICIAL GUIDE TO SOUTH AFRICA 2022/23

Economy and Finance

NATIONAL TREASURY

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, National Treasury aimed to focus on reviewing tax policy; 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.

By mid-2023, inflation, globally, had remained stubbornly high pushing up the cost-of-living for households and government's borrowing costs. The International Monetary Fund's global outlook corroborated that the world was "entering a perilous phase during which economic growth remains low by historical standards and financial risks have risen, yet inflation has not yet decisively turned the corner."

Secondly, the persistence and severity of load-shedding domestically remains a binding constraint to production, investment and employment. As such, real gross domestic product (GDP) growth in the final quarter of 2022 was worse than anticipated, contracting by 1.3%. The result is that GDP growth in 2022 was weaker than expected, at 2%.

Supporting sustainable employment

The Jobs Fund offers matched funding grants across four funding windows – enterprise development, work opportunities through infrastructure development, support for work seekers and institutional capacity building. Grant funding is made available through a competitive process to initiatives that innovatively solve employment challenges and have the potential to be scaled up.

By mid-2023, the fund's portfolio of projects were valued at an estimated R9 billion. Since the Jobs Fund's inception in 2011, project partners in the private sector, as well as non- governmental organisations, have committed R13.5 billion in matched funding. As at 31 December 2022, the fund had disbursed R6.4 billion and leveraged an additional R12.7 billion from project partners.

The fund was allocated R1.4 billion over the medium term in the Government Technical Advisory Centre subprogramme in the Public Finance and Budget Management programme.

Supporting infrastructure development and economically integrated cities and communities

The department continues to facilitate conditional grants and provide financial incentives for infrastructure planning and development to municipalities. This is through the local government financial management grant, aimed at promoting and supporting financial management reform and building capacity in municipalities; the neighbourhood development partnership grant, aimed at developing and implementing urban network plans; the project preparation support grant, aimed at and supporting metropolitan municipalities in developing a pipeline of investment-ready capital programmes and projects; and the infrastructure skills development grant, aimed at increasing the pool of professional engineers, planners and other built environment professionals in local government.

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

Over the next three years, the department planned to continue coordinating the national budgeting process and oversee expenditure planning in the Programme Management for Public Finance and Budget Management, Public Finance and Budget Office and Coordination subprogrammes.

The department was also expected to continue promoting and enforcing prudent financial management of state-owned entities through financial analysis and oversight. To this end, over the medium-term period, the department will review all corporate plans, annual reports and guarantee applications received from schedule 2 and 3B public entities.

Streamlining government procurement

The Office the Chief Procurement Officer planned to ensure that the Public Procurement Bill is passed through Parliament in 2023/24. The Bill is aimed at ensuring that the State uses and leverages procurement to advance economic opportunities for historically disadvantaged people, women, young people, people with disabilities and small businesses; and promote local production.

Preferential procurement regulations that provide for categories of preference in the awarding of bids in government were approved in January 2023 and will be implemented over the medium-term period. As such, over the next three years, the department planned to support the implementation of regulations across government.

Strengthening financial management in government

Government's integrated financial management system is designed to enhance the effectiveness of back-end public service functions by improving access to information and the quality of data, eliminating the duplication of systems and resources, and limiting the use of manual processes.

Over the medium-term period, the department planned to continue developing the system. Preliminary work for the implementation of some of its modules, such as eRecruitment, a centralised public service recruitment system and the establishment of a centre of excellence, which will provide technical support to users, commenced in 2022.

Facilitating international and regional cooperation

National Treasury planned to continue advancing South Africa's interests through representation in international and regional financial institutions, as well as managing bilateral and multilateral relationships through regional engagements.

The department also facilitates regional cooperation within the Common Monetary Area.

The department's key regional engagements over the next three years include providing technical support to regional capacity building institutions such as the Collaborative Africa Budget Reform Initiative, the International Finance Facility for Immunisation, the Commonwealth Fund for Technical Cooperation, the African Institute for Economic Development and Planning, and the International Monetary Fund's Regional Technical Assistance Centre for Southern Africa.

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 create a sustainable infrastructure development ecosystem while accelerating and scaling up its development and implementation of catalytic infrastructure, which will entail driving investments in sectors such as energy, transport and logistics, water and sanitation, ICT, health, human settlements and education.

- 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 was expected to play a pivotal role in advancing agriculture and rural development. Due to liquidity constraints, over the medium-term period, the bank aimed to reduce the size of its loan book, funding liabilities and the ratio of non-performing loans to total gross loans. It also planned to increase its development loan book over the medium term to become a predominant portfolio.

- 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 by collecting all of the revenue target set by the Minister of Finance. As the achievement of this goal is contingent on how easy it is for taxpayers and traders to comply with their tax obligations, by 2025/26, the entity plans to ensure that 85% of taxpayers and traders are satisfied with the clarity of guidance it provides, and to conduct auto-assessments on 95% of standard taxpayers.

  It aims to do this effectively through modernising its ICT systems to encourage eFiling, improve the experience of taxpayers, monitor compliance and make tax collection more efficient, develop and administer a tax and customs system of voluntary compliance, and, where appropriate, enforce tax directives responsibly and decisively. The entity plans to collaborate with law enforcement agencies such as the South African Police Service (SAPS), the National Prosecuting Authority, the Financial Intelligence Centre (FIC) and the Special Investigating Unit to enforce tax compliance by taxpayers and traders, and address illicit financial flows.

  The entity has established a syndicated tax and customs crime division responsible for investigating criminal and illicit organised crime and syndicated evasion schemes across all taxes. The division is mandated to investigate suspected tax-related crimes specifically identified by the state capture commission reports, and to support the entity's investigating directorate in cases relating to other unlawful activities where tax fraud or evasion are implied, given the strong link between tax crimes and other financial crimes such as money laundering and illicit financial flows.

- 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.

In line with its mandate, the board will implement its Taking Stock programme, which involves a mix of projects to ensure that stakeholders are not overburdened with too many new or revised reporting requirements. Over the next three years, a major focus of the board will be on developing and implementing standards of generally recognised accounting practices using the information contained in the annual financial statements of its stakeholders, and ensuring these are in line with 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.

  The agency also promotes access to finance for SMMEs and the financial inclusion of underserved communities through the provision of retail banking services. Over the medium term, the agency aimed to focus on expanding the footprint of sustainable, professionalised, modernised and technology-enabled cooperative banking institutions, thereby increasing the sector's membership base, member deposits and assets.

  This plan includes collaboration and partnerships with stakeholders to assist in developing institutions, strengthening organisations, enhancing operational efficiency through innovative technology interventions and solutions, and expanding the footprint of sustainable cooperative banking institutions through a holistic support programme.

  The agency will also work towards merging with the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency over the medium-term period. The aim of the merger is to address the fragmentation and poor coordination of support provided to SMMEs and cooperatives at the local and provincial levels of government.

- 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 Municipal Finance Management Act 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 aimed to focus on providing stakeholders, including Parliament, with recommendations to improve the credibility of the South African fiscal framework and the effectiveness of public spending. The commission's contribution will include other policy research papers and briefings on a wide range of fiscal and financial topics. It will also focus on its organisational redesign and the relocation of its Johannesburg office to its office in Cape Town.

- 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.

  To deliver on this mandate and protect the integrity of South Africa's financial system, the act works in conjunction with other legislation, which includes the Prevention of Organised Crime Act of 1998, the Protection of Constitutional Democracy Against Terrorist and Related Activities Act of 2004, and the SAPS Act of 1995. To address concerns identified in the Financial Action Task Force action plan, as well as in response to the recommendations from the state capture commission, over the medium term, the centre will focus on augmenting its human resource capacity, and enhancing and maintaining its ICT network and systems.

  This was expected to enable it to improve its oversight responsibility and combating of financial crimes and terror financing by enhancing analytical software to reinforce the integrity of South Africa's financial system and improving access to information for clients.

- The **Financial Sector Conduct Authority** was established in 2018 by the Financial Sector Regulation Act of 2017 as one of the two pillars of the Twin Peaks model for regulating the financial sector. As such, the authority assumes the role of the market conduct regulator of financial institutions that provide financial products and services, and financial institutions licensed in terms of financial sector legislation.

The authority assumed the business operations of the Financial Services Board in 2018/19.

The authority's ongoing objective is to play a meaningful role in promoting growth and employment, and reducing poverty through regulating the financial services sector and protecting consumers, and promoting an integrated approach to financial inclusion and employment. Over the medium term, the authority planned to focus on implementing its revised strategy, which is aimed at enabling it to be more responsive and forward-looking, and includes an expanded mandate to supervise banks.

These objectives are intended to improve industry practices to achieve fair outcomes for financial customers; act against misconduct to support confidence and integrity in the financial sector; promote the development of an innovate, inclusive and sustainable financial sector; empower households and small businesses to be financially resilient; and accelerate the transformation of the authority into a socially responsible, efficient and responsive conduct regulator.

This will be done by conducting environmental assessments to identify and understand trends; attracting specialist expertise to deal with emerging issues such as climate change; and proactively monitoring pricing and selling practices, new business models and financial products.

- 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.

  The agency aimed to optimise its performance over the medium term through its modernisation programme. This entailed procuring new pension administration, client relationship management and financial management solutions. These interventions were expected to lead to a reduction in turnaround times for processing and paying benefits from 45 days to less than 25 days, improve the management and accuracy of client data, and enable the agency to reach 65% of 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.

  Over the medium term, the entity planned to focus on assisting organs of state to build their capacity for efficient public financial management, and work towards a revised funding model that will allow it to be more financially sustainable. To achieve this, it plans to strengthen partnerships between government, the private sector and civil society by convening spaces for policy formulation, service delivery and accountability; become a thought leader on impediments to the effective functioning of government; and provide fast-tracked, flexible and specialised expertise within the remit of the PFMA of 1999.

- The **Independent Regulatory Board for Auditors** was established in terms of the Auditing Profession Act (2005) and became operational in April 2006. 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 planned to 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.

- 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.

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

- The **Office of the Pension Funds Adjudicator** is mandated to investigate and determine complaints lodged in terms of the Pension Funds Act of 1956. The office's mandate became effective in January 1998. The adjudicator is required to ensure the procedurally fair, economical and expeditious resolution of complaints in terms of the Act by ensuring that its services are accessible to all; investigating complaints in a procedurally fair manner; justly and expeditiously resolving complaints in accordance with the law; incorporating innovation and proactive thought and action in its activities; and providing opportunities for individual growth.

  The adjudicator has jurisdiction only over funds that are registered under the Pension Funds Act of 1956. Over the medium-term period, the adjudicator plans to develop the capability of its staff, restructure internal processes and continue to modernise its ICT systems in an effort to resolve 85% of pension fund complaints within six months. It will also aim to intensify its engagements with relevant stakeholders such as regulators and pension funds, and continue to conduct outreach programmes to create awareness about its existence and mandate.

- The **Public Investment Corporation** (PIC) was established by the PIC Act of 2004 as a registered financial services provider wholly owned by government, with the Minister of Finance as its shareholder representative. The corporation is mandated to invest funds on behalf of its clients, as agreed upon with each client and approved by the Financial Sector Conduct Authority.

  The corporation's clients are public sector entities, most of which are pension, provident, social security, development and guardian funds. Over the medium term, the corporation planned to focus on implementing client mandates through its highly skilled investment team, maintaining a robust communication technology platform, applying risk management practices, and ensuring that its investment decisions are based on sound principles.

- The **South African Special Risks Insurance Association** (SASRIA) was established in 1979 and registered in terms of Section 21 of the Companies Act of 1973. In line with the amendments of the SASRIA Act of 1998 and the Companies Act of 2008, government became the company's sole shareholder. The association is mandated to support the insurance industry by providing cover for special risks such as riots, strikes, political unrest, terrorist attacks, civil commotion, public disorder and labour disturbances.

Over the medium term, the insurer aimed to rebuild its capital base through passing on higher premiums to the industry; revising its reinsurance structure, which requires 40% of its insurance business to be ceded in 2023/24 and 2024/25 to reinsurers with catastrophe cover of R10 billion; and taking account of equity contributions to settle all valid claims related to the civil unrest in KwaZulu-Natal and Gauteng in July 2021.

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 taken into account. 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 gives short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption and parental leave or illness. It also provides relief to the dependants of a deceased contributor.

All employees, as well as their employers, are responsible for contributions to the UIF. However, an employee is excluded from contributing to the UIF if he or she is:

- employed by the employer for less than 24 hours a month;
- employed as an officer or employee in the national or provincial sphere of government; the President, Deputy President, a Minister, Deputy Minister, a member of the National Assembly, a permanent delegate to the National Council of Provinces, a Premier, a member of an Executive Council or a member of a provincial legislature; or
- a member of a municipal council, a traditional leader, a member of a provincial House of Traditional Leaders and a member of the Council of Traditional Leaders.

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.

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 25 cents per bag as from 1 April 2020.

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.

CO2 Motor Vehicle Emissions Levy

The CO2 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 95gCO2/km for passenger vehicles and R160 for every gram above 175gCO2/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

The majority of 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 in excess of R50 000. Payment methods other than branch payments are:

- eFiling: this required a taxpayer to register as an eFiling client in order 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 undertakes shareholder oversight of state-owned companies (SOCs) in its portfolio. The department is the primary interface between government and these companies, and provides input into the formulation of policy, legislation and regulation.

In executing its responsibilities, the DPE seeks to direct and support improvements in the financial, commercial and operational performance of these companies and their contribution to the South African economy, and support transformation.

To coordinate reforms in SOCs over the medium-term period, the DPE aimed to continue providing the necessary technical and advisory support to the Presidential SOCs Council in its efforts to reform, revitalise and reposition SOCs.

The DPE oversees the following seven SOCs, which are key drivers of economic growth:

- **Alexkor** – It was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay, Northern Cape. The outcome of the land and restitution award to the Richtersveld Community resulted in the formation of the Alexkor Richtersveld Mining Company Pooling and Sharing Joint Venture, wherein Alexkor holds a 51% share interest on behalf of government, and the Richtersveld Community holds 49%.

  Alexkor does not have any other mining operations outside the joint venture. Over the medium term, the company planned to focus on implementing the turnaround strategy for its diamond mining operations, which have significantly declined in the past three years. Symptomatic of this was production averaging below 30 000 carats over the period and the company not being able to reach the benchmark of more than 45 000 carats that had been achieved previously. Some challenges to underproduction include a lack of funds to undertake exploration activities and maintenance of old infrastructure.

  An immediate intervention is to seek mining contractors with the financial and technical capabilities to undertake large-scale mining operations. In the long term, Alexkor's role should be determined in accordance with the challenges it faces. To achieve this, the DPE conducted a study that was expected to be completed in 2023/24, to determine the optimal shareholding structure for Alexkor.

  This study will take into account the current market characteristics of the diamond mining industry in relation to government's developmental agenda. The company was not able to submit detailed performance, expenditure, revenue and personnel data at the time of publication, hence no tables are included.

- **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, restructuring and optimising its cost structure.

  The new operating model reduces Denel's structure from six core business units to three – engineering, manufacturing, and maintenance and overhaul. This change will not only result in decreased expenditure, but in the improved allocation of critical resources. It will also require that the company accelerate its disposal of non-core assets and businesses, improve supply chain policies and align its IT infrastructure with its new organisational structure.

The company's revenue had decreased due to persistent iquidity challenges. This was exacerbated by fixed costs and under-recoveries across the group, resulting in the company continuing to be loss making, thereby eroding its solvency.

This, among other things, was related to the company having lost experienced personnel with critical skills over the years, which threatened its sustainability. To fund the turnaround plan's response to these challenges, the company was expected to access funds through proceeds from the sale of non-core disposals and shareholder recapitalisation.

- **Eskom** – It is mandated to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. Significant progress has been made on the company's legal separation into three subsidiaries: transmission, generation and distribution. In this regard, the National Transmission Company of South Africa was corporatised in December 2021, and will be operationalised once the National Energy Regulator of South Africa issues its licence.

  The National Electricity Distribution Company of South Africa was expected to be corporatised during 2023/24. The company's new board was appointed in October 2022 and has been tasked with ensuring a performance turnaround for operations. This is expected to result in improving energy availability from 58% as at 30 September 2022 to 66.5% by 2025/26. The current low availability of energy is due to high unplanned breakdowns and unit trips, which account for 30.8% of the company's non-availability of generation capacity.

  To improve operational performance, the board is working with the national energy crisis committee, which was established by the President in July 2022. The committee's purpose is to oversee the implementation of an action plan to end load shedding and achieve energy security in the country. As part of the company's build programme, the Kusile Power Station is expected to be completed in May 2024. Interventions and modifications to repair construction defects at the Medupi and Kusile power stations are expected to be completed by the end of 2023.

  This includes the recent failure of the flue-gas ducting that has impacted units 1 to 3 of the Kusile Power Station. To support the transition from coal to renewable energy, in line with government's energy policy, Komati Power Station was shut down on 31 October 2022 and by mid-2023 it was being repurposed with renewable energy technologies that will supply clean electricity to the economy and the public.

- **South African Forestry Company** – It was established in 1992 in terms of the Management of State Forests Act of 1992. It is mandated to ensure the sustainable management of plantation forests, increase downstream timber processing, and play a catalytic role in rural economic development and transformation. The company contributes to approximately 1 772 direct jobs and more than 1 000 employment positions in small to medium companies through community projects and other services.

  Over the medium term, the company planned to improve its performance by implementing its 50:50 revenue strategy, which entails plantation, processing and other businesses contributing equally. The company was also expected to focus on increasing its processing capacity through upgrading the Timbadola processing plant in Limpopo. This will reduce operating costs at the plant, particularly for repairs and maintenance. The company derives most of its revenue from the sale of sawlogs and lumber.

- **South African Airways** (SAA) – It operates a full-service network in the international, regional and domestic markets. 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 exited the process in April 2021.

  The SAA resumed operations in September 2021, operating domestically and regionally, and has since been operating six aircraft. Over the medium-term period, the airline planned to increase its operations and improve its service offering, for example, by expanding its route network. Government was in the process of concluding the sale of its majority shareholding in the company to a strategic equity partner.

  This was expected to attract the funding and skills required to strengthen the airline's balance sheet and improve its operations. The partnership was expected to be finalised by the end of 2022/23, but due to outstanding matters such as regulatory approvals from the Competition Commission and the Air Services Licensing Council, it was expected to be concluded in 2023/24.

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

To sustain and expand its capacity, over the five-year period ending in 2026/27, Transnet had planned to invest money into the rail sector, ports and pipeline infrastructure. However, these investments were hindered due to the company having to reduce capital expenditure in 2022/23 by 9.2% because of liquidity constraints associated with limited profitability.

Significant turnaround in operations, and as such the company's financial position, in the short term have been impacted by events such as severe damages at the port of Durban and along the KwaZulu-Natal Rail Corridor due to flooding in the province in April 2022. To assist the company with repairs, government allocated R2.9 billion in 2022/23 through the Special Appropriation Act of 2022.

To assist with clearing the backlog in its infrastructure build, maintenance and modernisation programme, Transnet is actively seeking private sector participation in its operations. Investment from the private sector is also expected to contribute to the migration from road to rail, with the aim of reducing the total national cost of logistics. By mid-2023, the DPE was working with Transnet to develop a turnaround plan that would address various operational and infrastructure funding challenges.

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 planned to continue to develop and implement various sectoral master plans over the medium-term period. These are key components of 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.

Over the period ahead, this entailed focusing on supporting the implementation of key interventions of South Africa's Economic Reconstruction and Recovery Plan (ERRP), particularly by providing industrial finance, developing industrial infrastructure, and enhancing competitiveness and localisation.

Providing industrial finance

In support of the ERRP, initiatives in the Incentives programme are aimed at growing sustainable and competitive enterprises through providing direct or indirect industrial financing.

Over the next three years, the dtic planned to continue providing financial support to the Automotive Incentive Scheme, the Black Industrialist Programme, the Agro-processing Support Scheme, the Strategic Partnership Programme, and the Aquaculture Development and Enhancement Programme.

The department also planned to provide financial assistance or support to 300 clothing and textile firms through the clothing and textiles competitiveness programme.

The dtic planned to implement the new energy vehicle roadmap, which is intended to enhance the transitioning of the automotive industry in South Africa from internal combustion engines to electric motors, in line with global trends.

Developing industrial infrastructure

A critical part of the ERRP includes interventions to catalyse investment through infrastructure development. This includes subsidising bulk infrastructure and top structures (factories) in special economic zones, and rolling out infrastructure to revitalise a targeted 16 industrial parks over the medium term. These subsidies are provided mainly for special economic zones, industrial parks and for critical bulk infrastructure such as water, electricity and sewerage connections.

Enhancing industrial competitiveness and localisation

The dtic aimed to enhance industrial competitiveness at firm and sector level through conditions on financial incentives and local procurement policies that encourage industry to use local products.

This entailed disbursing funds to technical institutions such as the Proudly South African campaign to support sectoral work on master plans and projects that aim to improve industrialisation and competitiveness, and increase localisation.

Through collaboration between government, business and labour, these policy interventions are aimed at building local industrial capacity for the domestic and export markets.

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 SMMEs and cooperatives.

Over the medium term, the department aimed to focus on providing support to SMMEs and cooperatives. This included providing greater access to financial and non-financial support for SMMEs, cooperatives, start-ups and township and rural enterprises; establishing infrastructure to expose SMMEs and cooperatives to global market opportunities; and establishing an adjudicator's office to regulate licensing and business practices in the sector.

The DSBD supports SMMEs primarily through the SEDA. To enable a new generation of job creators to contribute to economic transformation, the department aimed to support 30 000 young entrepreneurs by providing opportunities for self-employment.

It also aimed to link over 750 SMMEs and cooperatives to international market opportunities over the medium-term period, with particular emphasis on enterprises run by women, young people and people with disabilities.

In an effort to establish a Small Enterprise Ombud Service, substantial funds have been set aside over the medium term to regulate and license businesses owned by foreign nationals, regulate unfair business practices and review the definition of SMMEs to arrive at an inclusive understanding. The department will also provide informal and micro enterprises with equipment.

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.

In 2020 SAMLIT formed an expert working group on illegal wildlife trade with a view to increasing knowledge about the financial flows associated with this crime among financial institutions, law-enforcement and prosecuting authorities.