

How is National Treasury going to fund the COVID-19 stimulus packages? Thoughts following the Supplementary Budget

The Finance Minister painted a bleak picture of the state of South Africa's finances in his Supplementary Budget. In our Family Office & Private Enterprise client alert dated 23 June 2020 ([Click Here](#)), we shared some thoughts as to measures that the Minister may consider to 'fill' the state's burgeoning tax deficit.

The Minister outlined the following measures which the South African Revenue Service (**SARS**) will take into account in terms of future legislative updates and are aimed at specifically improving tax collections, in order to ease the deficit and to stabilize the public debt.

Legislative updates

The Minister outlined the following measures which the South African Revenue Service (**SARS**) will take into account in terms of future legislative updates and are aimed at specifically improving tax collections, in order to ease the deficit and to stabilize the public debt.

- focusing on international taxes, particularly aggressive tax planning using transfer pricing;
- increasing enforcement to eliminate syndicated fraud relating to VAT refunds and import valuations;
- expanding the use of third-party data to find non-compliant taxpayers; and
- improving the collection of debt due to the fiscus, and ensuring that outstanding taxpayer returns are filed and liabilities paid.

The measures indicated above make no mention of either introducing a wealth tax or amending the way trusts are taxed. However, National Treasury (**NT**) has indicated that they are considering proposals put forward by the Davis Tax Committee (**DTC**), which considered both the feasibility of a wealth tax and how trusts are taxed. As such, the thoughts we shared previously should not be ruled out as a means for SARS to increase tax collections in the future.

Even though the introduction of a wealth tax or amending the way trusts are taxed have not been formally referenced, the Minister has made it clear in his Budget Speech in February this year that the abuse of the preference share funding structures for trusts has undermined tax collection. He noted that anti-avoidance rules would be put into place to curb the misuse of preference share structures circumventing the provisions of section 7C (our prior alerts are attached). Although a pre-COVID proposal, this may assist in narrowing the tax deficit.

Conclusion

There is still a lot of uncertainty in this space, and you are welcome to contact any of your KPMG Private Enterprise contacts.



Creagh Sudding

Associate Director
Family Business |
International Tax
creagh.sudding@kpmg.co.za
M: +27 66 010 8755



Melissa Duffy

Partner | Head of
Family Office & Private Client
melissa.duffy@kpmg.co.za
M: +27 82 448 1989



Tanette Nell

Associate Director
Corporate Tax
tanette.nell@kpmg.co.za
M: +27 82 719 2179



Nishtha Bhoola

Consultant
Corporate Tax
nishtha.bhoola@kpmg.co.za
M: +27 60 989 6080

home.kpmg/socialmedia



[Privacy](#) | [Legal](#)

You have received this message from KPMG in South Africa. If you wish to unsubscribe, please [click here](#).

If you have any questions, please send an email to taxandlegal@kpmg.co.za.

© 2020 KPMG Services Proprietary Limited, a South African company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ('KPMG International'), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

Designed by Evalueserve.

Publication Number: 136740M-G