

TAX CHANGES TO EXPECT IN 2020: By Jonathan Hore

Well, we just started 2020 and I hope you are ready to seize the opportunities that the new year may present to you. You may know that each new year comes with fresh resolutions, obligations and milestones. Let me also remind you that one of your obligations is to ensure that you pay your right share of taxes to the taxman. By the way, I am not a taxman but a tax consultant and my job is to advise people to make good their taxes. If you don't mind, I will remind you that taxes are imposed on all of us by law and paying taxes is technically a national duty. In this article, I want to analyse some of the possible changes you may expect in 2020. Throughout this article, words importing the masculine shall be deemed to include the feminine.

POSSIBLE TAX HIKES

If you read my article of last week, I demonstrated that Botswana has the lowest VAT rate in SADC of 12% as well as the 2nd lowest corporate tax rate of 22%, with Mauritius' rate being the lowest (15%). Well, I must state that most economic commentators have been advocating for an increase in the VAT rate to boost tax collections in the face of dwindling government revenue, particularly SACU customs duties.

Those of you who have been listening to the former Finance Minister budget speeches will remember that he hinted over 3 times that there was need to review tax rates and possibly increase taxes. So, given that diamond sales worldwide in 2019 were suppressed, coupled with the growth in budget deficits, it will not be surprising to have either a VAT, corporate tax or PAYE rate hike. I however stated in last week's tax article that in my view, a Financial Transactions Tax is better than a VAT increase in that the latter is inflationary whilst the former is usually negligible and does not result in price hikes.

NEW TAXES

It will also not be surprising to get a presumptive tax introduced, which is a tax on the informal sector based on predetermined tax amounts for specified hard-to-tax businesses. These taxes are usually targeted at businesses which do not keep accounts and are predetermined using set criteria such as floor area of business space, number of vehicles etc. It has been stated in various fora that the informal sector does not pay taxes and it appears that the authorities are more prepared to deal with this, judging from their recent statements about presumptive taxes.

In fact, the informal sector has a strong phobia for taxes and the only way to get them to pay taxes is through presumptive tax systems. In practice, presumptive taxes prohibit renewal of operating licences without proof that taxes were paid. For example, a law may be put in place to prescribe that small businesses such as hair salons, combi and taxi owners pay a quarterly tax, after which they get proof of payment. That proof of payment will be required in case of an inspection by the taxman or on renewal of licences.

TRANSFER DUTY

The Transfer Duty Amendment of 2019 is most likely to commence in 2020, whether in full or in part. The said Amendment Act seeks to widen citizen exemptions from the property tax and in particular, non-citizens will be exempt on the first P1m of any immovable property purchase. The law also provides for the exemption of first-time residential property/undeveloped residential land acquirers from the tax as well as absolving the underprivileged (destitute & disabled and orphans under 18) from the tax. The said Amendment Act also seeks to increase the transfer duty rate for non-citizens from 5% to

30%. The administration of the tax will, on commencement, move from the Registrar of Deeds to BURS. Another notable change is the expansion of the tax to tribal land as well as the transfer of shares in a property-owning company.

CAPITAL TRANSFER TAX

The Capital Transfer Tax Act was also amended but Amendment Act is yet to commence, just like the Transfer Duty Amendment Act. The Capital Transfer Tax Amendment Act is likely to commence only after the Transfer Duty Amendment Act has commenced as the former borrows some exemptions from the Transfer Duty Amendment Act, particularly those relating to the underprivileged. The Act also removes marital/wedding gifts from taxable transactions and increase the threshold of taxable donations from P5 000 to P25 000.

TAX ADMINISTRATION ACT

The tax authorities long announced the intention to introduce a Tax Administration Act, which will basically house all administrative sections of the tax Acts and possibly regulate all tax practitioners. You may know that other countries such as RSA regulates tax practitioners and that may be on its way here. If you are a tax practitioner, then get ready for such changes.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.