



AIDC

**Alternative Information
& Development Centre**

*Strengthening Alliances for a Wage-led, Low-Carbon, Sustainable and
Equitable Development Path for Southern Africa*

**SUBMISSION TO THE STANDING COMMITTEE ON FINANCE
ON THE 2026 DRAFT RATES BILL, DRAFT TAXATION LAWS AMENDMENT BILL
AND DRAFT TAX ADMINISTRATION LAWS AMENDMENT BILL**

28 September 2026

Attention: Mr Allen Wicomb and Ms Lwazikazi Ntinzi, Standing Committee on Finance (National Assembly)

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1. Introduction

- 1.1. The Alternative Information & Development Centre (AIDC) is a grassroots-based non-governmental organisation located in Cape Town, South Africa. AIDC was established in 1996 to support social movements and trade unions in advancing campaigns for a just transition to a wage-led, low-carbon development path.
- 1.2. AIDC thanks the Standing Committee on Finance for the opportunity to comment on the 2026 draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill (“draft Rates Bill”), the draft Taxation Laws Amendment Bill (“draft TLAB”), and the draft Tax Administration Laws Amendment Bill (“draft TALAB”).
- 1.3. This submission focuses on clauses in the three bills that bear directly on the equity and revenue concerns AIDC has raised in its parallel submission to National Treasury and SARS on Technical Annexure C proposals for the 2027 Budget. We structure our comments in two parts: first, provisions in the bills that directly engage issues we have raised; and second, a note on substantive reforms we consider necessary that the current bills do not address, which we urge the Committee to raise with National Treasury.
- 1.4. We request the opportunity to make an oral submission.

2. Provisions Directly Relevant to Our Concerns

2.1. Medical Scheme Fees Tax Credit — draft Rates Bill clause 4 (amending section 6A(2)(b)); draft TLAB clauses 2, 3, 8 and 25 (inserting “restricted medical scheme”)

- 2.1.1. Clause 4 of the draft Rates Bill increases the medical scheme fees tax credit from R364 to R376 for a main member, from R728 to R752 for the member plus one dependant, and from R246 to R254 for each additional dependant. We oppose this increase.
- 2.1.2. The medical scheme fees tax credit cost the fiscus R30 billion in 2024. Only 16% of South Africans belong to a medical aid, and they are overwhelmingly from higher-income households: 39% of the total benefit flows to those with taxable income above R500,000 per year.¹ South Africa’s public healthcare system is chronically underfunded. When the state subsidises those who opt out of public care for private cover, it is effectively directing public money to the privileged few at the expense of the system used by the vast majority.
- 2.1.3. We recommend the Committee decline the proposed increase to the credit and treat this Budget cycle as the start of a phased wind-down, with the funds redirected to public healthcare.

¹AIDC, “Tax in the World’s Most Unequal Country: The South African Fair Tax Monitor on Opportunities for Resource Mobilisation,” Alternative Information & Development Centre, November 6, 2025, <https://aidc.org.za/tax-in-the-worlds-most-unequal-country-the-south-african-fair-tax-monitor-on-opportunities-for-resource-mobilisation/>.

2.2. Personal Income Tax Rate Schedule — draft Rates Bill, Schedule I

- 2.2.1. Schedule I to the draft Rates Bill sets out the personal income tax rate table for the 2026/27 year of assessment. The current draft carries the existing rate structure forward with inflation-adjusted thresholds only, and does not alter the underlying rates or the top bracket threshold.
- 2.2.2. We propose that Schedule I be amended to increase the tax rates in brackets 3 to 6 by one percentage point each, and to lower the entry threshold for the top tax bracket from R1.878 million to R1.27 million.
- 2.2.3. Research indicates that this would improve the progressivity of PIT and could raise between R3.9 billion (accounting for behavioural responses) and R9.1 billion in additional annual revenue, which, if invested in programmes such as the child support grant, could meaningfully reduce poverty and inequality.²
- 2.2.4. We ask the Committee to consider amending Schedule I along these lines before the Bill is finalised.

2.3. Special Economic Zone Incentives — draft TLAB clause 14 (new section 31B) and clause 9 (amending section 12R)

- 2.3.1. Draft TLAB inserts a new section 31B requiring transactions between a Special Economic Zone (SEZ) qualifying company and a connected resident person outside the SEZ to be taxed on an arm's-length basis. We welcome this as an implicit acknowledgement by Treasury that SEZ-connected transactions carry a transfer pricing risk to the tax base.
- 2.3.2. The amendment attempts to address one possible part of that risk: non-arm's-length transactions between connected businesses inside a zone and related businesses outside it. It would replace the current 20% connected-party threshold with a test based on arm's-length pricing. A fixed percentage threshold can catch an ordinary commercial relationship as easily as an artificial one, so a market-pricing test could deal more sensibly with legitimate supply-chain arrangements.
- 2.3.3. But it also shifts the burden onto documenting and defending individual pricing decisions case by case, an enforcement demand of its own that still has to be resourced and checked. Arm's-length analysis demands specialised transfer-pricing expertise, access to comparable data, and significant audit capacity.
- 2.3.4. Under the current policy, the risk of profits being artificially shifted into SEZs to avoid tax is very low. The amendment changes this. Because there's rarely a truly comparable transaction for integrated, related-party arrangements, the "correct" price becomes a matter of judgment and negotiation rather than a clear line. This risks opening the door to the same profit-shifting the original anti-avoidance rule was designed to stop.

²Gemma Clare Wright et al., "Exploring Options to Deepen and Broaden the Personal Income Tax Base in South Africa," WIDER Working Paper 2023/147 (2023), <https://www.econstor.eu/handle/10419/283843>.

- 2.3.5. This kind of abuse has been seen worldwide. The arm's-length principle is the very mechanism multinationals have used worldwide to book disproportionate profits in low-tax jurisdictions while their actual economic activity happens elsewhere.
- 2.3.6. In addition, section 31B does not address the broader design problem with SEZ incentives that we have raised with National Treasury. A World Bank study found that the 1,525 firms located in South African SEZs had a mean effective tax rate of 5.3%, well below the 15% rate applicable to SEZs and the national average.³ According to the 2026 National Budget, SEZs account for only R37 million in tax expenditure for 2021/22, a figure that does not appear reconcilable with the World Bank estimate. SEZ firms are also more likely than comparable firms to underreport their CIT liability,⁴ and research by Neva Makgetla found that, despite transfers from National Treasury to SEZs rising from R600 million in 2013 to R1.4 billion in 2019 (with provinces contributing up to a further R500 million per year), manufacturing value added and national formal employment had stagnated even before the pandemic.⁵
- 2.3.7. We recommend that section 31B be paired with (a) a requirement for mandatory, published cost-benefit analysis of the SEZ incentive regime and of section 12R specifically, at minimum every five years, and (b) a publicly searchable register of the companies claiming SEZ and other corporate tax incentives and the amounts claimed, a model already in use by Washington State's Department of Revenue through its Annual Tax Performance Report. We further ask the Committee to request that Treasury reconcile the R37 million reported SEZ tax expenditure figure against the World Bank's effective tax rate findings.

2.4. Retirement Fund Contribution Deduction Cap — draft Rates Bill clause 7 (amending section 11F)

- 2.4.1. Clause 7 of the draft Rates Bill raises the annual retirement fund contribution deduction cap from R350,000 to R430,000.
- 2.4.2. The cap is not simply a Rand ceiling: section 11F limits the deduction to the lesser of R430,000 or 27.5% of the taxpayer's remuneration or taxable income (whichever is higher), a proportional limit that is unchanged by the Bill. This means the increase in the Rand cap is structurally unusable by most taxpayers. A taxpayer would need income of at least R1,563,636 (R430,000 divided by 27.5%) before the Rand cap, rather than the percentage-of-income limit, becomes the binding constraint. Most taxpayers cannot reach the R430,000 cap at any contribution level: someone earning R245,100, for example, is limited to a maximum possible deduction of R67,403, however much of their income they contribute. Only taxpayers earning above R1.56 million a year can use the full cap.
- 2.4.3. In addition, in its current design, the retirement fund deduction gives higher earners a larger tax saving than lower-income earners *for an equivalent contribution*. Research shows the current design reduces the overall redistributive effect of the income tax

³Pierre Bachas et al., Effective Tax Rates, Firm Size and the Global Minimum Tax, World Bank Working Paper (Washington, DC: World Bank, 2024).

⁴Chloé van Biljon, Amina Ebrahim, Zoleka Jaxa, Tumelo Mohale, and Nadine Riedel, South Africa Corporate Tax Gap Study: A Bottom-up Approach Based on Audit Assessments, SA-TIED, 2026, <https://sa-tied.wider.unu.edu/article/south-africa-corporate-tax-gap-study-a-bottom-up-approach-based-on-audit-assessments>.

⁵Neva Makgetla, Learning from Experience: Special Economic Zones in Southern Africa (Helsinki: UNU-WIDER, 2021).

system.⁶ Raising the fixed Rand limit therefore deepens the regressive nature of the current design.

- 2.4.4. We recommend that the Committee amend section 11F to remove the 27.5%-of-income limit and retain only a fixed Rand cap. This would not, on its own, resolve the deduction's regressive design, but it would at least ensure that any given Rand cap is equally reachable in principle across income levels, rather than functioning, as the current dual limit does, as a benefit reserved for the top tax bracket by construction.
- 2.4.5. We have proposed to National Treasury, through the Annexure C process, that the deduction be converted to a flat-rate tax credit, which would deliver the same tax saving to low and high earners alike for the same contribution. Research finds this reform would improve tax savings for lower-income earners and is estimated to raise an additional R23 billion in Personal Income Tax revenue annually.⁷
- 2.4.6. We ask the Committee to hold this clause in abeyance, or at minimum flag it to Treasury, pending consideration of that structural reform, rather than proceeding with a cap increase that entrenches the current regressive design.

2.5. SARS Reporting and Collection Powers — draft TALAB clause 11 (amending section 190 of the Tax Administration Act)

- 2.5.1. Draft TALAB requires banks to report to SARS, within a prescribed period, a deposit they reasonably suspect is related to a tax offence. We welcome this as a step consistent with our broader call for closing enforcement gaps, though it is narrower than what we consider necessary.
- 2.5.2. SARS is the primary institution responsible for detecting and recovering revenue lost to tax avoidance and evasion, yet it has been chronically underfunded: there has been a 12.5% real-terms shrinkage in SARS funding over the past decade, and SARS' revenue would be approximately R1.9 billion higher in 2025 had its budget merely kept pace with inflation, before accounting for the additional cost of rebuilding capacity dismantled during the state capture years. Recent recoveries, including major claims against Christo Wiese (R3.7 billion), Adidas (R1.9 billion), Coronation Investments (R800 million) and BP (R274 million), confirm both that large-scale corporate tax avoidance is widespread and that a better-resourced SARS can recover significant revenue.
- 2.5.3. A new statutory reporting obligation adds to SARS' workload without addressing this funding shortfall, and South Africa's response to financial crime more broadly suffers from fragmentation between the Financial Intelligence Centre, the Reserve Bank's Prudential Authority, the National Prosecuting Authority, SARS and SAPS, a deficiency explicitly identified as contributing to South Africa's 2023 FATF grey-listing. We ask the Committee to request that Treasury and SARS set out how the new reporting obligation in clauses 11 to 13 will be resourced, and whether it will be matched by improved interagency coordination on commercial illicit financial flows, not only criminal ones.

⁶Mashekwa Maboshe and Ingrid Woolard, "Revisiting the Impact of Direct Taxes and Transfers on Poverty and Inequality in South Africa," WIDER Working Paper (Helsinki: UNU-WIDER, 2018), <http://www.wider.unu.edu/publication/revisiting-impact-direct-taxes-and-transfers-poverty-and-inequality-south-africa>.

⁷Jansen et al., A Reform Option for Pension Fund Contribution as Tax Expenditure in South Africa: A Microsimulation Model Approach Using Tax Administrative Data, WIDER Working Paper (2023), <https://www.econstor.eu/handle/10419/283835>.

3. Substantive Reforms Not Addressed by the Bills

None of the three bills before the Committee address several reforms that we consider necessary to improve the fairness and revenue-raising capacity of the tax system. We set these out below and urge the Committee to raise them with National Treasury for inclusion in a future legislative cycle.

3.1. Dividend Tax

Dividend income is currently taxed at a flat rate of 20%. Ownership of dividend-paying assets is heavily skewed toward the wealthiest: in 2017, the top 10% of South Africans held over 99.8% of such assets.⁸ A preferential flat rate on dividends is therefore overwhelmingly a benefit to the already wealthy. We have proposed taxing dividend income received by residents at their marginal personal income tax rate (45% for trusts). To protect compliance, the current withholding mechanism (where the distributing entity deducts the tax at source) should be retained. The current 20% rate would become a floor, those with higher effective income tax rates would pay the additional amount directly to SARS. We estimate this reform would raise an additional R17.5 billion. None of the three bills touch the dividends tax rate or mechanism. We ask the Committee to note this omission and request that Treasury bring forward amending legislation.

3.2. Net Wealth Tax

Despite three decades of democracy, the top 1% of South Africans still own 55% of all wealth, while the bottom 50% have net negative wealth. All wealth-related taxes combined; estate duty, transfer duty, donations tax, the securities transfer tax and municipal property rates, amount to just 5.8% of total tax revenue and 1.5% of GDP.⁹ We support the proposal for a recurring annual wealth tax on the wealthiest 1% of South Africans (net wealth above approximately R5.6 million),¹⁰ with marginal rates of 3–7%, estimated to raise R100–235 billion per year after accounting for evasion.¹¹ No such mechanism appears in any of the three bills. Implementation is more feasible than commonly assumed given existing reporting infrastructure (central securities depositories, bank interest reporting, pension fund valuations), and international experience shows that where wealth taxes have failed, the cause has been weak administration rather than the underlying design.¹² We ask the Committee to request that Treasury investigate this reform.

3.3. Estate Duty

Estate duty raised R3.5 billion in 2023/24, just 0.19% of total tax revenue and 0.05% of GDP, barely changed since 2004 and a quarter of the OECD average of 0.2% of GDP.¹³ The Davis Tax

⁸ Aroop Chatterjee et al., *Estimating the Distribution of Household Wealth in South Africa*, 45th ed., vol. 2020, WIDER Working Paper (UNU-WIDER, 2020), <https://doi.org/10.35188/UNU-WIDER/2020/802-3>.

⁹ AIDC, "Tax in the World's Most Unequal Country: The South African Fair Tax Monitor on Opportunities for Resource Mobilisation," Alternative Information & Development Centre, November 6, 2025, <https://aidc.org.za/tax-in-the-worlds-most-unequal-country-the-south-african-fair-tax-monitor-on-opportunities-for-resource-mobilisation/>.

¹⁰ R3.8 million in 2017 terms, inflation-adjusted to R5.6 million in 2026 terms.

¹¹ Aroop Chatterjee et al., "A Wealth Tax for South Africa," PSE Working Papers, January 2021, halshs-03131182, <https://ideas.repec.org/p/hal/psewpa/halshs-03131182.html>.

¹² Zimbali Mncube, "Navigating the Taxation of Wealth: Insights from Theory to International Experience," Institute for Economic Justice, June 12, 2025, <https://iej.org.za/navigating-the-taxation-of-wealth-insights-from-theory-to-international-experience/>.

¹³ AIDC, "Tax in the World's Most Unequal Country: The South African Fair Tax Monitor on Opportunities for Resource Mobilisation," Alternative Information & Development Centre, November 6, 2025,

Committee, government's own advisory body, has acknowledged that many wealthy individuals escape estate duty through trusts and similar mechanisms.¹⁴ None of the three bills before the Committee amend the Estate Duty Act. We recommend the Committee ask Treasury to bring forward legislation to introduce additional, more progressive estate duty brackets, to resource specialist SARS estate duty assessors, and to research a Capital Transfer Tax capturing lifetime transfers through trusts as well as transfers at death.

3.4. Trusts and the Attribution Principle

Between 60–65% of trusts registered with the Master of the High Court are not registered with SARS for tax purposes and therefore pay no tax on their income. By 2018, close to 60% of all corporate shares in South Africa were held through trusts. The Davis Tax Committee found that the attribution principle, which allows trust income to be passed through to beneficiaries at lower tax rates, has become a “concession to high-net-worth individuals” that should be repealed.¹⁵ None of the three bills repeal or amend the attribution provisions (the only trust-adjacent provision, draft TLAB's new section 9HB, deals with spousal asset transfers, not attribution). We recommend the Committee ask Treasury to bring forward legislation repealing the attribution provisions for South African resident trusts and directing SARS to proactively pursue registration of unregistered trusts. We also recommend the committee critically re-examine the necessity of certain types of trusts, looking closely at their connection to aggressive tax avoidance, with a view to phasing them out entirely. Special trusts for persons with disabilities and minor dependants should be preserved.

3.5. Financial Transactions Tax

South Africa's Securities Transfer Tax applies a narrow 0.25% levy on share transactions only, raising R5.5 billion (0.3% of tax revenue), compared with Brazil's financial transaction tax, which raises 2.43% of total tax revenue. South Africa's stock market is deeply overvalued relative to the size of the economy, with the Buffett Indicator at 320%, compared to 54% for the EU and 155% for the US. None of the three bills expand the STT. By increasing the cost of short-term speculative activity, a broader Financial Transaction Tax can make long-term investment relatively more attractive and encourage sustainable economic growth.¹⁶ We recommend the Committee ask Treasury to bring forward legislation expanding the STT into a comprehensive Financial Transaction Tax covering stocks, bonds and derivatives, with an additional surcharge on high-frequency and short-term speculative trades.

3.6. Mining Windfall Tax and Sovereign Wealth Fund

The mining sector constitutes roughly 6% of GDP, but in years of high commodity prices its contribution to corporate tax is disproportionate: mining accounted for 50% of all CIT collections

<https://aidc.org.za/tax-in-the-worlds-most-unequal-country-the-south-african-fair-tax-monitor-on-opportunities-for-resource-mobilisation/>.

¹⁴Davis Tax Committee, First Interim Report on Estate Duty (Pretoria: Davis Tax Committee, 2015), <https://www.taxcom.org.za/docs/20150723%20DTC%20First%20Interim%20Report%20on%20Estate%20Duty%20-%20website.pdf>.

¹⁵Davis Tax Committee, First Interim Report on Estate Duty (Pretoria: Davis Tax Committee, 2015), <https://www.taxcom.org.za/docs/20150723%20DTC%20First%20Interim%20Report%20on%20Estate%20Duty%20-%20website.pdf>.

¹⁶Sarah Anderson, "Financial Transactions Taxes and the Global South," Institute for Policy Studies (Washington, DC: Institute for Policy Studies, 2011), https://unfccc.int/files/cooperation_support/financial_mechanism/long-term_finance/application/pdf/financial_transactions_taxes_and_the_global_south.pdf.

in 2021. CIT as a share of total tax revenue peaked at 26.5% in 2008 and has since fallen to 17%. South Africa has no windfall tax mechanism to capture excess profits during commodity price booms, and no dedicated vehicle to save or invest the proceeds; when prices fall, the resulting drop in CIT revenue is often absorbed through spending cuts elsewhere. None of the three bills introduce such a mechanism. We recommend the Committee ask Treasury to develop and implement a windfall tax on the mining sector and to investigate a Sovereign Wealth Fund funded in part through mineral royalties and windfall tax revenue.

3.7. Withholding Tax on Cross-Border Service Fees

South Africa currently levies withholding taxes of 15% on royalties, 20% on dividends from JSE-listed shares and 15% on interest from loans, but 0% on service fees such as management and technical services, despite international service transactions being a well-established means by which multinational corporations shift profits to tax havens.¹⁷ None of the three bills introduce a withholding tax on service fees. Countries including Zambia, India, China, Mozambique and Kenya apply such taxes without evident loss of productive investment. We recommend the Committee ask Treasury to bring forward legislation introducing a withholding tax on fees paid for services rendered to non-residents, and to renegotiate tax treaties with reference to the UN Model Double Tax Convention.

3.8. Tax Haven Defence Measures

South Africa currently has no specific measures targeting tax havens, a significant omission given that large South African firms owned by a parent company registered in a tax haven report up to 80% less profit than comparable firms without haven-based ownership, most plausibly explained by systematic profit shifting.¹⁸ Germany's Tax Haven Defence Act (2021) and Ecuador's elevated 37% withholding rate on dividends to non-cooperative jurisdictions offer models. None of the three bills introduce comparable measures. We recommend the Committee ask Treasury to bring forward a South African Tax Haven Defence Act establishing a domestic list of haven jurisdictions, disallowing deductions for haven-based transactions or imposing higher withholding rates on them, excluding haven-based firms from the participation exemption, and imposing enhanced reporting requirements on transactions with listed jurisdictions.

3.9. Review of the Double Tax Agreement Network

South Africa has 79 bilateral tax treaties, mostly based on the OECD Model, which has been found to favour capital-exporting countries over the countries where income is actually generated.¹⁹ South Africa has the highest number of restrictive tax treaties with OECD countries of any Global South country.²⁰ AIDC estimates South Africa forfeits between R7–10 billion in revenue each year from reduced treaty withholding tax rates on interest and dividend payments alone, for only the top ten tax haven and conduit jurisdictions, with the Netherlands and the United

¹⁷Alternative Information & Development Centre (AIDC), "Illicit Financial Flows: Four South African Case Studies and What They Tell Us," AIDC, October 18, 2024,

<https://aidc.org.za/illicit-financial-flows-four-south-african-case-studies-and-what-they-tell-us/>.

¹⁸Ludvig Wier and Hayley Reynolds, Big and 'Unprofitable': How 10% of Multinational Firms Do 98% of Profit Shifting, SA-TIED Working Paper 14 (Helsinki: UNU-WIDER, 2018),

<https://sa-tied-archive.wider.unu.edu/sites/default/files/pdf/WP-24-December-2018-Wier-Reynolds.pdf>.

¹⁹Martin Hearson, *Imposing Standards: The North–South Dimensions to Global Tax Politics* (Ithaca, NY: Cornell University Press, 2021), <https://www.cornellpress.cornell.edu/book/9781501755989/imposing-standards/>.

²⁰Aiwei Feng, Shristi Joshi, and Quinn McGannon, *Analysis of Imbalanced Tax Treaties of Developing Countries* (Geneva: South Centre, 2024), <https://www.southcentre.int/wp-content/uploads/2024/09/Graduate-Institute-South-Centre-Tax-Report-2024-1.pdf>.

Kingdom together accounting for the majority of this loss.²¹ None of the three bills address the treaty network (draft TLAB's amendment to section 6quat concerns only the mechanical foreign tax credit limitation on capital gains, not treaty policy). We recommend the Committee ask Treasury to conduct a full audit of bilateral tax treaties that reduce withholding taxes below statutory rates, prioritising treaties with known tax havens and conduit countries, and to use the UN Model Tax Convention as the reference framework in renegotiations.

3.10. Beneficial Ownership Registry

The General Laws Amendment Act of 2023 introduced broader beneficial ownership requirements, but beneficial ownership data continues to be held separately by different registrars for trusts, companies and non-profit organisations, with no centralised, publicly accessible registry. This denies civil society, trade unions, investigative journalists, the public, and even other state institutions such as the National Prosecuting Authority the ability to scrutinise corporate structures efficiently. None of the three bills before the Committee establish such a registry. We recommend the Committee ask Treasury to establish a centralised, publicly accessible beneficial ownership registry covering all legal entities, and to establish a methodology for systematically measuring and tracking commercial illicit financial flows in line with UN Sustainable Development Goal 16.4.1.

4. Conclusion

- 4.1. We ask the Committee to amend the draft Rates Bill and draft TLAB as set out in Section 2 of this submission, and to raise the substantive omissions identified in Section 3 with Treasury for inclusion in a future legislative cycle.
- 4.2. We reiterate our request to make an oral submission to the Committee.

²¹See "Tax in the World's Most Unequal Country" for a methodological note, available at <https://aidc.org.za/tax-in-the-worlds-most-unequal-country-the-south-african-fair-tax-monitor-on-opportunities-for-resource-mobilisation/>.