ANALYSIS OF TAX RELIEF MEASURES AS A RESULT OF THE COVID-19 PANDEMIC IN SOUTH AFRICA, COMPARED WITH THE TAX MEASURES OF OTHER MEMBERS OF THE BRICS GROUP

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Abstract

The purpose of this report is to analyse tax relief measures that were taken as a result of the COVID-19 outbreak in South Africa, evaluate the approach taken and compare it with other countries in the BRICS international organisation.

The COVID-19 pandemic caused numerous company closures and employment losses (IMF, 2020). Governments worldwide had to intervene to support their citizens and keep businesses afloat (IMF, 2020). In order to maintain widespread access to essential goods and services, taxation is crucial (IMF, 2020). The dire effect on economic activities around the world influenced tax laws (IMF, 2020). It fell to tax administrators to ease the tax burden on taxpayers as they were facing hardships (OECD [Organisation for Economic Co operations and Development], 2020).

The International Monetary Fund (IMF) states that the design of tax systems can help stabilise economies when faced with crisis (IMF, 2020). The South African government implemented tax relief measures because of COVID-19, although taxpayers are still experiencing the detrimental effects of COVID-19. It is the government's wish to offer additional help to businesses and individuals who are still facing these hardships and also assist in rebuilding businesses (SARS, 2021).

This report will look at tax measures that were taken by South Africa in comparison to those that were taken by Brazil, Russia, India and China to determine the usefulness of these measures in dealing with the effects of COVID-19 on taxes. Some measures were introduced for a short time and therefore are no longer applicable, but it is important to consider them in this report because they might have long-term effects on taxes. The findings of this analysis indicate which measures were used, when they were implemented, and how taxes in the BRICS countries changed while adjusting to COVID-19. It was found that tax policies put in place in South Africa were unjustified since they decreased tax collection without any measures in place to boost it (IMF, 2020). Examining what other BRICS nations were doing to increase tax collection during the COVID-19 outbreak can help identify areas for improvement.

Keywords: BRICS**,** COVID-19 pandemic, income tax rates, OECD, South Africa's tax relief measures, tax maxims

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Declaration:

I declare that this research report is my original work and that all sources have been accurately reported and acknowledged. It is to be submitted for the degree of Master of Commerce to the University of Witwatersrand, Johannesburg. This research has not been submitted for any degree or examination at the above-mentioned or any other university.

Elsie Selemela

Table of acronyms used in the report

Acronym	Meaning
BEPS	Base Erosion and Profit Shifting
CBDT	Central Board of Direct Taxes
CIPC	Companies and Intellectual Property Commission
CTPA	The Centre for Tax Policy and Administration
ETI	Employment Tax Incentive
GST	Goods and Services Tax
IMF	International Monetary Fund
ITR	Income Tax Return
MSMEs	Micro, Small, and Medium Enterprises
OECD	Organisation for Economic Co-operation and Development
PAYE	Pay-As-You-Earn
PIT	Personal Income Tax
PwC	PricewaterhouseCoopers
RBI	Reserve Bank of India
SARS	South Africa Revenue Service
SMEs	Small and Medium-sized Entities
TCS	Tax Collection at Source
TDS	Tax Deducted at Source
The Act	Income Tax Act, No. 58 of 1962
VAT	Value-Added Tax
WHO	World Health Organisation

Chapter 1: INTRODUCTION

COVID-19 emerged from China in late 2019 and hit the globe rapidly. To mitigate the risk of infection, countries worldwide implemented national lockdowns despite their economic challenges. The COVID-19 pandemic significantly impacted taxation, and tax authorities had to take steps to survive through it (IMF, 2020). Taxation plays a key role in maintaining access to basic goods and services (IMF, 2020).

The sectors that were mostly affected by the pandemic were retail, hospitality, travel, restaurants, transport, leisure, office jobs and many others that one can think of (PWC, 2020). This resulted in many job losses due to businesses closure. The decreased economic activity gave rise to unplanned government expenditure which eroded the tax base (PWC, 2020). Taxes worldwide were mostly affected by these changes, and adjustments to tax systems were made to accommodate them.

COVID-19's effects on economies, and vulnerability to COVID-19 were different across social groups, while developing countries will experience long lasting implications (IMF, 2020). Developed countries with sufficient resources also struggled with the effects of the COVID-19 pandemic, so this can only mean that developing countries were bound to suffer even greater and lingering consequences (De Villiers, Cerbone & Van Zijl, 2020).

South Africa, as a developing country, faced an immediate challenge in responding to COVID-19. The initial lockdown in South Africa damaged an already fragile economy and this had a negative impact on society due to the government's increased borrowing and the anticipated significant reduction in tax revenue which resulted in the public purse being severely limited (De Villiers, Cerbone & Van Zijl, 2020).

In light of the COVID-19 pandemic, the Minister of Finance issued several tax adjustment measures, according to the South African Institute of Chartered Accountants (2020). These adjustments were dealt with in the Draft Disaster Management Tax Relief Bill (2020) and the Disaster Management Tax Relief Administration Bill (2020), accompanied by the Draft Explanatory Memorandum on the Draft Disaster Management Tax Relief Bill (2020). These Bills contain exceptional tax measures intended to aid taxpayers whose financial situation was impacted by the COVID-19 pandemic and a needed national lockdown (National Treasury, 2022).

Exceptional tax measures, such as expanding the Employment Tax Incentive (ETI), extending the postponement of payment of employees' tax liabilities for complying in the case of small to medium-sized firms, and delaying excise taxes on alcoholic beverages to help the taxpayers were necessary. In addition, other tax relief measures including adjustments to employment tax, VAT, provisional tax, excise tax, corporate income tax, personal income tax, customs, donations tax and carbon tax were implemented (South African Revenue Service, 2020).

To assess the tax measures implemented in South Africa, this research will compare South Africa's measures with those implemented in Brazil, Russia, India, and China as members of the BRICS group. The report will illustrate the measures taken in the above-mentioned countries individually, refer to the COVID-19 tax ideas stated in the BRICS collaboration and identify what South Africa could have done better looking at the effects of COVID-19 on the South African economy. The use of the BRICS group is appropriate as it consists of developing countries with mutual economic ties. Comparisons to developed economies like the United States of America, United Kingdom or Australia would not be appropriate in this instance.

Even though South Africa is not one of the OECD (Organisation for Economic Co-operation and Development) nations, the report will also discuss the tax changes suggested by the OECD for the COVID-19 period and after that period for economies to manage their fiscal stimulus.

The Brazilian tax measures that will be assessed include economic stimulus measures, changes to import duty, changes to customs clearance, employment related measures and measures taken for tax on financial transactions, (Rezende & da Silveira, 2020). The report will elaborate on these measures, assess their effectiveness, and corroborate if they have the potential to benefit the South African economy.

Russia considered how COVID-19 influenced the operation of small to medium-sized entities (SMEs). Many tax measures including exemptions and reductions were introduced in this regard. The report will discuss these measures together with tax measures aimed at creating additional tax revenue (Dmitrieva, 2020).

In India, the government proposed tax deducted at source (TDS) and tax collection at source (TCS). These key measures will be discussed in this report.

The spread of the coronavirus was very swift in China, since early 2020 (Lu, 2020). Chinese tax authorities established tax exemptions and incentives to help businesses and citizens (Lu, 2020). Tax return filing deadlines were extended, and state tax authorities encouraged taxpayers at large to handle their tax affairs remotely (Lu, 2020). Former director of the OECD Centre for Tax Policy and Administration, Pascal Saint-Amans, thanked the Chinese government, particularly its tax authorities, for what they had done to prevent the virus's spread, supporting the return to work and production (People's Republic of China's State Tax Administration, 2020).

Chapter 2: RESEARCH PROBLEM

2.1 The research question

Taxes had to accommodate the changes in the economy caused by the inevitable COVID-19 crisis but what were the effects of these changes? Which principles of the South African income tax, VAT, corporate tax, personal income tax and customs were adjusted? What was the approach by the other members of the BRICS organisation and what should have been done better by South Africa? Which tax reform measures could be suggested for South Africa, considered against tax reform best practice?

The research considered South African tax administration and compared it to that of the other members of the BRICS group.

2.2 Research sub questions

The following sub questions were addressed to answer the main research question:

2.2.1 Which tax relief measures were implemented by the South African government? This information was extracted from the main South African Revenue Services (SARS) website and the *Notes on South* African *Income Tax textbook* (Haupt & Haupt, 2022). All the relief measures were explained fully and references to the South African Income Tax Act (1962) (the Act) were given for some of the relevant measures that were adjusted in the Act.

2.2.2 How were these tax measures implemented? This question looked at how South Africa implemented the tax relief measures, the adjustments as time went by and the extent of their application. Journal articles and cases were considered in this regard.

2.2.3 What were the effects of changes in tax policies due to the COVID-19?

2.2.4 What were the measures taken by other members of the BRICS organisation compared to those taken by the Republic of South Africa?

2.2.5 What tax reforms could be helpful for the South African economy? The reforms discussed below were drawn from the OECD, IMF publications and Thomas Piketty's suggestions on taxing capital.

2.2.6 In reforming tax systems, the principles of good taxation discussed in Adam Smith' *Wealth of Nations* should be considered. According to Smith, the four guiding principles of equity, certainty, convenience, and efficiency should be observed in taxation. The report therefore covered these four taxation maxims (Smith, 1776).

Chapter 3: RESEARCH METHODS

The research is qualitative in nature. Information for the research report was collected from journal articles, academic books, case law literature, OECD reports, budget speeches, Treasury and SARS websites as they addressed COVID-19 relief measures. Online resources were also used.

Comparative information on South Africa, Brazil, Russia, India and China’s tax policies were part of the report as well.

COVID-19 surveys fall outside the scope of this report and will therefore not be assessed.

Chapter 4: SOUTH AFRICA’S TAX RELIEF BILLS

Due to economic damage caused by the lockdown, National Treasury introduced the Disaster Management Tax Relief Act of 2020 and the Disaster Management Tax Relief Administration Act of 2020 as tax relief measures. These Acts contain exceptional tax measures introduced to assist taxpayers that experienced cash flow problems during the COVID-19 pandemic. Measures in the Disaster Management Tax Relief Act on COVID-19 disaster relief organisations were as follows:

4.1 Disaster Management Tax Relief Act

The Disaster Management Tax Relief Bill (2020) was put forward in South Africa to amend the Employment Tax Incentive Act (2013) and include a new provision for the tax treatment of specific organisations and the ability to donate to those organisations, and also to provide temporary exemption from skills development levies and other matters connected therewith (Disaster Management Tax Relief Bill, B-11, 2020).

Measures taken under the Disaster Management Tax Relief Act include:

- Changes to the Employment Tax Incentive Act
- COVID-19 disaster relief organisations
- Skills Development Levy

4.1.1 Employment Tax Incentive Act

An Employment Tax Incentive was created to encourage employment by reducing the employees’ tax payable by an employer (Employment Tax Incentive Act, 2013). During COVID-19, this act was amended, and the amendments applied for the period 1 May 2020 to 1 July 2020 and 1 August 2021 to 30 November 2021. The amendments were as follows:

- Due to employees working reduced hours to adhere to the lockdown rules, the monthly remuneration definition in Section 1 of the Employment Tax Incentive Act was revised so that the employment tax incentive did not have to be reduced where employees worked fewer than 160 hours in one month. (Disaster Management Tax Relief Bill, B-11, 2020).
- Where an employer did not have a wage regulation measure in place, the requirement that an employee had to be paid a minimum of 2000 per month for the employer to qualify for the tax incentive as per section 7 (1) of the Employment Tax Incentive Act was removed (Disaster Management Tax Relief bill, B-11, 2020).
- The employment tax incentive was claimed on employees not qualifying under the normal Employment Tax Incentive Act provisions. Section 6 of the Employment Tax Incentive Act defines a qualifying employee as someone who is between the ages of 18 and 29 (Disaster Management Tax Relief Bill, B-11, 2020). The amendment to this section of the act increased the age limit from 29 to 65 years old (Disaster Management Tax Relief Bill, B-11, 2020).

- The amount of the employment tax incentive changed:
  - (a) If an employees' monthly compensation was less than R2 000, the amount of employment tax incentive increased by 37.5% (Disaster Management Tax Relief Bill, B-11, 2020).
  - (b) If the employees' remuneration was between R2 000 and R 4 500, the amount of employment tax incentive increased by R750 (Disaster Management Tax Relief Bill, B-11, 2020).
- The SARS tax refund could be claimed monthly, rather than at the end of the period during which the employer must file a return under Section 14(3)(a) of the fourth schedule to the to the Income Tax Act, 1962 (Act no 58 of 1962). This was done to improve the liquidity of compliant employers.

4.1.2 COVID-19 disaster relief organisations and donations tax (Section 18A).

A COVID-19 disaster relief organisation is defined as any corporation, trust, or individual association that has been incorporated, formed, or founded in the Republic of South Africa for the purpose of establishing a disaster relief fund for the COVID-19 pandemic (Disaster Management Tax Relief Bill, 2020).

For the purposes of the Income Tax Act, any COVID-19 disaster relief organisation was deemed to be a public benefit organisation (from 1 April 2020 to 31 September 2020) as defined in section 30(1) of that Act if that COVID-19 disaster relief organisation met the requirements below (Disaster Management Tax Relief Bill, 2020) such that it:

(a) carries out public benefit activity as described in paragraph (a) of the definition of 'public benefit activity'; and
(b) the standards set out in section 30(3) of the Act and is approved as a public benefit organisation by the Commissioner, subject to —
  - (i) that COVID-19 disaster relief organisation meeting all of the requirements imposed by section 30 of that Act in respect of a public benefit organisation; and
  - (ii) any power granted to the Commissioner to revoke the approval of any public benefit organisation under section 30 of that Act.

If the Commissioner had not approved any COVID-19 disaster relief organisation as a public benefit organisation or small business funding entity by 31 July 2020, the organisation had the following options (Disaster Management Tax Relief Bill, 2020):

(a) within six months or such longer period as the Commissioner may provide to examine a request for approval made on or before that date (Disaster Management Tax Relief Bill, 2020); or

(b) Transfer, or take reasonable steps to transfer, its remaining assets as part of the organisation's dissolution to any public benefit organisation, institution, board or body, or the government as contemplated in section 30(3)(b)(iii) of the Income Tax Act, failing which, an amount of taxable income, determined as contemplated in section 30(7) of that Act at the end of the day on 31 July 2020, must be deemed to have accrued to that COVID-19 disaster relief organisation (Disaster Management Tax Relief Bill, 2020).

Next, the solidarity fund is considered. A solidarity fund is defined in Section 1 of the Disaster Management Tax Relief Act as a solidarity response fund registered with the CIPC (Companies and Intellectual Property Commission) as a non-profit company (Disaster Management Tax Relief Bill, 2020). The act implies that the solidarity fund is a COVID-19 disaster relief organisation.

Section 8 of the Disaster Management Tax Relief Act allows as a deduction, in terms of section 18A of the Income Tax Act, of so much of any bona fide donations made by a taxpayer, in cash or assets, actually paid or transferred to a COVID-19 disaster relief organisation during the time starting on 1 April 2020 to 30 September 2020 (Disaster Management Tax Relief Bill, 2020). If the total donations made under Section 18A exceed 10% of the taxable income, then any donation made to the solidarity fund above the 10% limit may be deducted, subject to 10% of taxable income (excluding retirement fund lump sums, withdrawal benefits and severance benefits) (Disaster Management Tax Relief Bill, 2020).

This gave rise to two limits under section 18A of the Income Tax Act in terms of the section 8 of the Disaster Management Tax Relief Act:

- 10% of taxable income for the section 18A donations.
- 10% of taxable income for Solidarity Fund donations not deducted under section 18A.

The excess COVID-19 and solidarity fund donations, which could not be deducted under section 18A, fell away, and could not be carried forward to the next year of assessment, according to the proviso to section 18A(1)(B) of the Income Tax Act (Disaster Management Tax Relief Bill, 2020).

Section 9 of the Disaster Management Tax Relief Act stated that in the period starting from 1 April 2020 to 31 July 2020, amounts received or accrued from a COVID-19 disaster relief organisation were not subject to employees' tax (Disaster Management Tax Relief Bill, 2020).

For the purposes of paragraph 2(4) of the Fourth Schedule to the Income Tax Act, any amount paid by a COVID-19 disaster relief organisation, on behalf of an employer, must be deducted or excluded by the employer from remuneration, as defined in that Schedule, in calculating the balance of remuneration referred to in that paragraph (Disaster Management Tax Relief Bill, 2020).

4.1.3 Skills Development Levy

Employers were exempt from the Skills Development Levy from 1 May 2020 to 31 August 2020 (Disaster Management Tax Bill, 2020). This was a temporary exemption and it never extended beyond the above stipulated period (Disaster Management Tax Relief Bill, 2020).

4.2 Disaster Management Tax Relief Administration Act

The Disaster Management Tax Relief Administration Act 14 of 2020 dealt with the deferral of employees' tax, the deferral of provisional tax, the deferral of interim payments by micro and small to medium-sized businesses and changes in the VAT category of vendors that would have an impact on monthly returns and refunds, as well as the extension of certain time periods (Disaster Management Tax Relief Administration Act, 2020). This relief was extended to the 2021 calendar year because the COVID-19 pandemic was still affecting many firms (Disaster Management Tax Relief Administration Act, 2020).

4.2.1 Qualifying taxpayer

To qualify for a deferral of employees’ tax, the taxpayer had to be a qualifying taxpayer. A qualifying taxpayer is defined in Section 1 of the Disaster Management Tax Relief Administration Act as a corporation, trust, partnership, or individual who is a taxpayer under section 151 of the Tax Administration Act and meets the following requirements (Disaster Management Tax Relief Administration Act, 2020):

- Was carrying on a trade from 1 April 2021 to 1 April 2022 and had a gross income of R100 million or less during that assessment year (Disaster Management Tax Relief Administration Act, 2020); and
- their gross income did not contain more than 20% of their employer's interest, dividends, foreign dividends, royalties, rental from letting fixed property, annuities, and any other remuneration (Disaster Management Tax Relief Administration Act, 2020); and
- did not have any outstanding debt (other than a debt that is being paid off, compromised, suspended, or less than R100) (Disaster Management Tax Relief Administration Act, 2020); and
- did not have any outstanding return, unless if alternative arrangements have been made by SARS for rendering such a return (section 256(3) of the Tax Administration).

The definition of a qualifying taxpayer has three provisos:

1. A partnership's gross income is calculated as the sum of each partner's gross income from the partnership (Disaster Management Tax Relief Administration Act, 2020).

2. Before issuing a reduced payment, the commissioner must be satisfied that the taxpayer's estimated gross income is indeed 100 million or less and that all criteria have been considered (Disaster Management Tax Relief Administration Act, 2020).

3. The 20% limit for remuneration, rental and passive income must not consider any rental from letting of fixed property if the qualifying taxpayer's major commercial activity is the rental of fixed properties, and rental from fixed property accounts for a large portion of gross revenue (Disaster Management Tax Relief Administration Act, 2020).

A taxpayer who earned both a salary from employment and a small amount of other trade income and a taxpayer who did not conduct a trade during that that period did not qualify.

4.2.2 Tax deferral of employees’ tax (PAYE).

A qualifying taxpayer who was registered as an employer (or representative employer as defined in paragraph 2 of the Fourth Schedule to the Income Tax Act) by the 25th of March 2020 was permitted to pay only 65% of the employees’ tax payable under paragraph 2(1) of the Fourth Schedule to the Income Tax Act for amounts deducted or withheld during the period beginning 1 April 2020 and ending 31 August 2020. (Disaster Management Tax Relief Administration Act, 2020). This relief was reinstated in 2021 to include taxpayers that were registered as employers by 25 June, from 1 August 2021 to 31 October 2021, with regard to employees' tax deducted or withheld (Disaster Management Tax Relief Administration Act, 2020).

In the period of 2020 when the deferral could be applied, 35% of the employees' tax had to be paid over six equal monthly instalments (Disaster Management Tax Relief Administration Act, 2020). In 2021, the period was reduced to four months (Disaster Management Tax Relief Administration Act, 2020). These measures applied to medium-sized firms run by a company, partnership, individual, or trust with a gross income of less than R100 million for the fiscal year ending on or after April 1, 2020, but before April 1, 2021 (Disaster Management Tax Relief Administration Act, 2020). The calculation of gross income should not exceed 20% of income from dividends, interest, overseas dividends, royalties, rent from letting fixed property, annuities, and any compensation from an employer (Disaster Management Tax Relief Administration Act, 2020). When making a reduced payment, the employer must be in compliance with tax law as defined by the Tax Administration Act (Disaster Management Tax Relief Administration Act, 2020).

There were no penalties under paragraph 6 of the Fourth Schedule to the Income Tax Act levied on amounts deferred; no interest under section 89bis of the Income Tax Act was charged on amounts deferred; and the amounts due were only subject to penalties under paragraph 6 of the Fourth Schedule to the Income Tax Act and interest under section 89bis of the Act if not paid when due and payable (Disaster Management Tax Relief Administration Act, 2020).

4.2.3 Provisional tax relief

A qualifying taxpayer who was a provisional taxpayer might have to pay 15% instead of half of the total estimated liability (as determined in accordance with paragraph 17 of the Fourth Schedule) for normal tax in respect of the relevant year of assessment less the total ad valorem tax from 1 April 2020 to 30 September 2020, in respect of provisional tax payable in terms of paragraph 21(1)(a) or 23(a) of the Income Tax Act during the period (Disaster Management Tax Relief Administration Act, 2020):

- any employees' tax deducted by the taxpayer's employer during the fiscal year up to and including the day the provisional tax is due and payable (Disaster Management Tax Relief Administration Act, 2020); and
- any tax paid to the government of another nation that qualifies for a rebate under section 6quat of the Income Tax Act (Disaster Management Tax Relief Administration Act, 2020).

From the period starting on 1 April 2020 to 31 March 2021, taxpayers were only required to pay 65% of provisional tax payable in terms of paragraph 21(1)(b) or 23(b) of the Fourth Schedule to the Income Tax Act and not the total estimated liability (as finally determined in accordance with paragraph 17 of the Fourth Schedule) for normal tax in respect of the relevant year of assessment less (Disaster Management Tax Relief Administration Act, 2020):

- any amount paid as provisional tax for the year within the six-month period following the start of the year (Disaster Management Tax Relief Administration Act, 2020);
- any amount paid as provisional tax for the year within six months of the year's beginning (Disaster Management Tax Relief Administration Act, 2020); and
- any tax proven to be owing to the government of another nation and eligible for a reimbursement under section 6quat of the Income Tax Act (Disaster Management Tax Relief Administration Act, 2020).

4.2.4 Deferral of interim payments

The interim payments by micro-businesses in terms of paragraph 11(1)(*c*) of the Sixth Schedule to the Income Tax Act were reduced to a rate of 15% payable instead of the normal rate of 50% of the amount of tax so calculated in terms of paragraph 11(1)(*a*) and (*b*). This applied for the period 1 April 2020 to 31 August 2020. During the period 1 September 2020 to 28 February 2021, only 65% of interim payment was due and not an amount equal to the amount of tax determined in accordance with paragraph 11(4)(a) and (b) of the Sixth Schedule (Disaster Management Tax Relief Administration Act, 2020).

4.2.5 Change in Value-Added Tax Category

Vendors who were supposed to file their VAT returns every two months under category A or B tax periods were assumed to come under category C and submit monthly, despite anything in the Value-Added Tax Act to the contrary (Disaster Management Tax Relief Administration Act, 2020). For the purposes of section 28 of the Act, a vendor was obliged to file a return with the Commissioner, and the Commissioner determined the tax payable by or rebate due to the vendor for each month that fell within the two months that comprised the Category A or Category B tax period (Disaster Management Tax Relief Administration Act, 2020). Provided that:

- The tax payable or reimbursement owing to the vendor was calculated using the category C tax period; and
- The vendor filed a return with the commissioner and determined the tax payable or refund due for the month in which the Category A or Category B tax period ends (Disaster Management Tax Relief Administration Act, 2020).

This section operated for four months in 2020.

4.2.6 Excise Duty

Excise duty is paid at the production point and not at the point of sale (Roughan, 2021). The sale of alcohol and tobacco was prohibited during the lockdown, and this meant that the suppliers were liable to pay excise duty without being able to sell these products (Disaster Management Tax Relief Administration Act, 2020). Payment of excise taxes on alcohol and tobacco was thus delayed for excise compliant enterprises by 90 days. This applied only for payments made in May 2020 to June 2020 (Disaster Management Tax Relief Administration Act, 2020).

4.2.7 Corporate income tax

The following steps were announced in the 2020 Budget to keep businesses solvent throughout the pandemic:

- The deduction for net interest expense was restricted to 30% of earnings (Disaster Management Tax Relief Administration Act, 2020).
- The number of assessed losses that could be carried forward was limited to 80% of taxable income (Disaster Management Tax Relief Administration Act, 2020).
- These measures applied from 1 January 2021 to at least 1 January 2022 (Disaster Management Tax Relief Administration Act, 2020).

4.2.8 Extension of time periods

In calculating a time period in terms of the Tax Administration Act, certain days were regarded as *dies non.* The ordinary dictionary meaning of the term *dies non* is a day on which no legal business can be conducted, or which does not count for legal purposes (Disaster Management Tax Relief Administration Act, 2020). These days were not considered in calculating the time this Act set down for certain administrative matters (Disaster Management Tax Relief Administration Act, 2020). The period of lockdown in South Africa was regarded as *dies non*.

The periods to which this applies included:

- The 3-year period for submitting required documentation under sections 49G (1), 50G (1) and 64G (1) of the Income Tax Act. These included refunds of withholding tax on royalties, refunds of withholding tax on interest, dividend refunds for dividends declared and paid by corporations, and tax refunds for dividends paid by regulated intermediaries (Disaster Management Tax Relief Administration Act, 2020).
- The period as per Section 47 of the Tax Administration Act, where a taxpayer had to produce relevant material in person during the lockdown (Disaster Management Tax Relief Administration Act, 2020).
- A notice that SARS would undertake a field audit during the lockdown period (section 48 of the Tax Administration Act) (Disaster Management Tax Relief Administration Act, 2020).
- A notice requiring the taxpayer to appear at an investigation pursuant to Section 53 of the Tax Administration Tax Act (Disaster Management Tax Relief Administration Act, 2020).
- Section 60 of the Tax Administration Act, which required the execution of a search and seizure warrant (Disaster Management Tax Relief Administration Act, 2020).
- The time frames specified in Chapter 7 of the Tax Administration Act for applying for an advanced ruling (Disaster Management Tax Relief Administration Act, 2020).
- The 3-year and 5-year prescription periods for assessment, in terms of section 99(1) of the Tax Administration Act (Disaster Management Tax Relief Administration Act, 2020).
- Section 100 of the Tax Administration Act that deals with the finality of assessments, excluding section 100(1)(a)(I) – estimated assessments where no corrected return has been received by SARS from the taxpayer (Disaster Management Tax Relief Administration Act, 2020).
- The time frames for resolving disputes under Tax Administration Act Chapter 9, including the dispute resolution provisions under Section 103 (Disaster Management Tax Relief Administration Act, 2020).
- The extension of time needed to calculate the period for the remittance of penalties under section 215(3) of the Tax Administration Act (Disaster Management Tax Relief Administration Act, 2020).
- The 3-year period that SARS must issue a penalty incorrectly assessed under section 219 of the Tax Administration Act (Disaster Management Tax Relief Administration Act, 2020).
- Section 244(3) of the Tax Administration Act deals with deadlines for paying tax or submission of information, returns or documents. In exceptional circumstances, where the taxpayer applied for the extension within 21 business days of the deadline, the time period

did not consider the *dies non* rule (Disaster Management Tax Relief Administration Act, 2020).

- The time needed for the election of a public officer under section 246(2)(d) of the Tax Administration Act (Disaster Management Tax Relief Administration Act, 2020).
- The time period in which a taxpayer can respond to SARS's notice that intends to revoke third party access under section 256(6) of the Tax Administration Act to the taxpayer's compliant status (Disaster Management Tax Relief Administration Act, 2020).

The *non dies* rule also applied to certain time periods of the Customs and Excise Act 91 of 1964 for the furnishing of documents or proof, submission of reports, notices, or notifications, submission and processing of applications for registration, licensing, or accreditation, including renewal of registrations, licenses, or accreditation, general refunds and drawbacks of duty, substitution of bills of entry, or any other customs-related application (Disaster Management Tax Relief Administration Act, 2020).

4.3 Changes, effects and suggestions

Taxation can be used to affect or guide citizens' consumption patterns (Nwafor, 2020). It can also be used to stimulate or discourage investment in specific economic sectors (Nwafor, 2020). During the COVID-19 pandemic, many taxpayers faced cash flow issues, and most of the tax relief measures in the Disaster Management Tax Relief Act of 2020 and the Disaster Management Tax Relief Administration Act of 2020 focused on deferring tax payable by qualifying individuals and companies. Although necessary, the deferral of tax payable was not particularly beneficial in situations where firms were closing and jobs were being lost. The pandemic phase was unexpected, and businesses were unable to create new jobs while simultaneously struggling to keep present employees, owing to disruptions in corporate operations. When faced with pandemics that affect taxation, such as the COVID-19 pandemic, the South African Revenue Service should consider broadening its emphasis to include all taxpayers and looking at other ways that can stimulate tax.

One of the countries that South Africa could consider looking up to is Russia as a member of the BRICS group. Russia was one of the countries that imposed tax increases on high earners, such as higher top personal income tax (PIT) rates reported in seven other countries and a switch from flat to progressive personal income tax (PIT) systems (OECD, 2021). When dealing with a future pandemic, the South African Revenue Service should consider an increase of this nature.

Chapter 5: SOUTH AFRICAN TAX LEGISLATION CHANGES DUE TO THE COVID-19 CRISIS AND THE ROLE OF REVENUE AGENCIES TO SUPPORT GOVERNMENT

Tax policies in place must consider the effect of taxes on economic growth, the behaviour and responses of taxpayers, and they must be fair and equal. Short-term policy changes must consider the effects on the future of the economy (National Treasury, 2022, p. 1-2).

There was a shortfall in revenue which resulted in a significant loss of taxation collection during the COVID-19 crisis. There was also a decrease in taxes paid by individuals due to job losses and reduced earnings for the employed people (National Treasury, 2021, p. 40).

The following changes were introduced:

5.1 Personal Income Tax

Rising unemployment and reduction of income for individuals who were still employed during the COVID-19 hindered the collection of personal income tax (National Treasury, 2021). The personal income tax bracket and rebates were, therefore, increased by 5%. This increase was expected to benefit households as it was above the inflation rate of 4.5% (National Treasury, 2021).

5.2 Corporate Income Tax

Section 20(1) of the Income Tax Act allows a taxpayer to add a loss to losses sustained in the future or to offset a balance against their taxable income if they suffer a loss within the assessment year. This section allows taxpayers to pay income tax only when there is taxable income, and their assessed loss balance is depleted (National Treasury, 2021). The Minister of Finance cut the corporate tax rate from 28% to 27% to increase the country's competitiveness, limit the attraction of base erosion and profit shifting, boost investment, and promote economic growth (National Treasury, 2021). To make up for this reduction in the tax rate in a tax-effective manner, the restriction of the use of assessed losses was also introduced. The South African government restricted the offset of assessed losses carried to the higher of 80% of taxable income or R1 million, whichever was higher, or the actual calculated loss balance carried over for that year (Visser, 2022). The effect of the proposed restriction was that only companies in a positive taxable income position before setting off the balance of assessed losses would be affected (National Treasury, 2021).

The main reasons for introducing the above change in corporate income tax and assessed losses brough forward were stated as follows:

- To broaden the tax base and cut the corporate income tax in a revenue-neutral manner. 'Restricting the offset of accumulated assessed losses against taxable income provides part of the fiscal flexibility needed to lower the rate' (National Treasury, 2021).
- The method of restricting assessed losses and lowering the corporate tax rate on the other hand has proven to be effective in other countries (National Treasury, 2021).

- Corporate income tax is widely regarded as the most volatile tax, and this policy aids in smoothing revenue flow (National Treasury, 2021). It will also be the most beneficial measure for businesses that are already struggling as opposed to a minimum tax requirement (National Treasury, 2021).
- Even though partial loss offset may have a negative effect on businesses' cashflow, this can help reduce tax avoidance (National Treasury, 2021).

The 2021 Budget also included a 5% increase personal income tax, which was higher than the inflation rate (National Treasury, 2021). This increase was projected to benefit taxpayers by lowering the tax burden on lower and middle-income households as a result of additional income (National Treasury, 2021).

The corporate income tax rate was reduced to 27% for enterprises with fiscal years ending on or after 31 March 2023 (National Treasury, 2021). The expected revenue loss, which leads to tax loss, was offset by an 8% increase in the excise duties on alcohol and tobacco products (National Treasury, 2021). This announcement increased the illicit economy of these products, according to a case heard in the Supreme Court of Appeal, *Minister of Cooperative Governance and Traditional Affairs and Another v British American Tobacco South Africa (Pty) Ltd and Others* (case no 309/21) [2022] ZASCA 89 (14 June 2022).

The issue in this case was the prohibition of the sale of tobacco products, e-cigarettes, and related products. It is important to mention that South Africa was the only country in the world that prohibited the sale of tobacco and vaping products to consumers during the national lockdown (Filby, van der Zee & Walbeek, 2020). Other countries such as Italy, France, Switzerland, and Spain had classified businesses that sell tobacco products as essential businesses that were allowed to operate during the lockdown (Filby, van der Zee & Walbeek, 2020).

The respondents in the case applied for an order at the Western Cape Division of the High Court, Cape Town declaring that the regulation of prohibiting tobacco sales, tobacco related products, e-cigarettes and other related products was unconstitutional and invalid. According to one of the respondents, the ban would most certainly result in the closure of tobacco-related enterprises such as cultivation, processing, and local production, as well as the illicit trade entirely replacing all legal tobacco and vaping items.

The tobacco and related products industries lost a lot of money to the illicit tobacco trade. The illegal trading of tobacco that occurred during the lockdown decreased the tax collection from these products because the suppliers evade tax anyway.

The ban on the legal sale of tobacco and related products encouraged illegal sale and production of these products that did not benefit the economy. This has resulted in a loss of tax collection as expected, because these products were consumed illegally during COVID-19. Amongst the BRICS countries, South Africa was the only country that banned the sale of tobacco alcohol, tobacco, and vaping products (Yach, 2020).

5.3 Limitation of the foreign employment income earned by a South African tax resident

To avoid double taxation of an individual's income between South Africa and a host country, a section 10(1)(o)(ii) exemption was adopted in 2000 (Interpretation note 16, 2021). This exemption was amended in 2020 to limit the foreign employment income earned by a tax resident of South Africa to 1.25 million rand and not the full amount above 1.25 million rand (Interpretation note 16, 2021). Any foreign employment income above R1.25 million will be subject to normal South African taxation at the normal tax rates in effect during the year of assessment (Interpretation note 16, 2021). The criteria for being eligible for the exemption under section 10(1)(o)(ii) remain the same (Interpretation note 16, 2021).

5.4 Other tax issues arising from the COVID-19 pandemic

5.4.1 Place of effective management for companies

South Africa has a resident-based tax system and tax is levied on all persons who are South African residents. A company is a resident of South Africa if it was formed, incorporated, or established in South Africa or if it has its place of effective management in South Africa (Section 1 of the Income Tax Act, 1962). The term 'place of effective management' is not defined in the Act; thus, its meaning will be determined by applying the collective understanding of the term while considering international precedent and interpretation (Income Tax Interpretation note 6, 2002). The place of effective management is the location where the company is frequently controlled by the directors or top managers of the company, regardless of where the overriding control is exercised or where the board of directors meets (Income Tax Interpretation note 6, 2002).

During the COVID-19 pandemic, changes were made to the working environment. The travel restrictions imposed and new work policies such as working from home caused issues in determining the place of effective management (Hofmeyer, 2022). Corporate taxpayers had to re-evaluate the location of effective management for tax purposes in situations where significant business decisions were taken outside of the country in which a company was situated (Hofmeyer, 2022).

5.5 Expanding access to living annuity funds

The government proposed amending GN290, Government Gazette 32005 of 11 March 2009, by extending access to living annuities for a four-month period beginning 1 May 2020 and ending 31 August 2020, to assist people who either needed cash flow immediately or did not want to be forced to realise underperforming living annuity investments (SARS, 2020):

- Individuals who received money from a living annuity were allowed to modify the percentage of annuity income they received instantly, with up to a maximum of 20% from 17.5 %, or down to a minimum of 0.5 % from 2.5 %, rather than having to wait up to a year until their next contract anniversary date (SARS, 2020).
- Individuals were allowed to adjust their draw down rates whenever they choose during the COVID-19 term, regardless of the anniversary date coming inside a specific time frame (SARS, 2020).
- If the fund had previously received a lump sum commutation, the R50 000 minimum value of the annuity or portion of the retirement interest that an individual might withdraw, as well

as the R75 000 minimum value in all other cases, would be replaced by a single R125 000 threshold to be used as the *de minimis* amount (SARS, 2020).

- Except for proposed revisions to the *de minimis* up to R125 000, any changes made within the four-month period were only valid for the aforementioned four-month window (SARS, 2020).

In a nutshell, the South African government decreased the corporate tax rate, raised excise taxes on alcohol and tobacco goods, and increased the personal income rate instead of the inflation rate. Given that those who were already paying taxes were also consumers of products and services, raising the tax rate on those individuals did not eliminate the problem. Helping one side while burdening the other is counterproductive.

As was previously indicated, the companies producing tobacco and vaping goods were suffering losses as a result of the prohibition on tobacco sales and the rise in the illicit trade of these goods. The attempt to raise the tax rate that these corporations had to pay was unsuccessful.

5.6 Potential changes that can be considered in line with IMF recommendations

The International Monetary Fund provided advice on how revenue agencies might help governments address the unique issues brought on by the COVID-19 pandemic by ensuring the revenue system remained operational. The aim of the measures would be to support the economy and ease trade while also containing the spread of the virus (IMF, 2020):

5.6.1 Continuing business while protecting health of taxpayers

Revenue administrators were encouraged to produce business strategies to be able to maintain the operation of the tax and customs system with reduced employee levels and further promote work from home (IMF, 2020).

These business strategies had to be flexible so that they could accommodate circumstances of the pandemic (IMF, 2020).

These measures were suggested:

- Creating a senior management crisis team that would hold daily management meetings remotely and ensure that the operations were reported to the leadership of the tax agency with a focus on monitoring tax collections and IT (Information Technology) systems workload (IMF, 2020).
- In cases where employees had to be physically present in their work premises, ensure that all safety measures were followed, with arrangements for staff to work in shifts and limit unnecessary movement to avoid tax officers and taxpayers in the tax office (IMF, 2020).

5.6.2 Easing obligations for taxpayers

Tax agencies were encouraged to increase their efforts to help people and businesses directly affected by COVID-19 to deal with the pandemic's impacts on financial and non-financial issues by:

- Extending tax return filing and payment deadlines considering taxes and payments eligible for an extension and time limit (IMF, 2020). In countries with prominent level of online filing, tax agencies had to postpone payments only so that filing was done on time. The focus was on reducing the burden for small businesses while making sure that large taxpayers were compliant (IMF, 2020).
- Taxpayers expecting a reduction in income should be allowed to reduce their provisional personal and corporate income tax liabilities (IMF, 2020).
- Make it easy for taxpayers to pay arrears in instalments by reducing interest payable if they pay over the long term (IMF, 2020).
- Pay refunds on time (IMF, 2020).

5.6.3 Implementation of government’s support policies

Tax agencies were required to effectively implement the government’s policies by:

- Helping to deal with policies in time, drafting regulations and guidelines in support of newly announced tax measures (IMF, 2020).
- Designing easy and rapid ways of applying measures (IMF, 2020).
- Promptly informing taxpayers of new tax policies (IMF, 2020).

5.6.4 Enhancing communication and taxpayer assistance

An external communication strategy should be implemented to update taxpayers on tax policies and obligations, while making sure that taxpayers were also encouraged to continue complying with tax obligations and not to submit fraudulent claims by:

- Enhance capacity for remote taxpayer assistance (IMF, 2020).
- Create additional tax filing options for taxpayers who could not access remote solutions (IMF, 2020).

5.6.5 Protecting revenue and safeguarding compliance

To protect revenue and ensure compliance, tax agencies could consider these measures:

- Normal audits and enforcement of collections could be reduced but not entirely eliminated. This should be done only in exceptional circumstances that require enforcement i.e., potential misuse of relief measures (IMF, 2020).
- Focusing on the largest taxpayers, especially those who were less affected by the pandemic to ensure that they were paying their taxes on time (IMF, 2020).
- Allow taxpayers who could not pay in full to pay in instalments (IMF, 2020).
- Identify abuses and fraud related to COVID-19 (IMF, 2020).

- Continually collect and analyse data with the Minister of Finance to check the new impacts on types of taxes, taxpayers, revenue, and time to make decisions and adjust measures through the crisis (IMF, 2020).

5.6.6 Customs administration: securing and facilitating trade

To preserve economic activity by enabling trade, customs had the crucial duty of ensuring that necessities, such as urgently needed medical supplies passed smoothly and quickly across borders. Customs measures to consider included:

- Deferring the submission of supporting documentation for imports and allowing traders to submit them online where possible (IMF, 2020).

Chapter 6: COVID-19 TAX POLICIES BY OTHER BRICS MEMBERS

6.1 Overview

BRICS is an international organisation that consists of five countries namely Brazil, Russia, India, China, and South Africa. All the BRICS nations launched fiscal measures to protect their economies against the COVID-19 pandemic (Reserve Bank of India, 2021). The BRICS's focus was on macroeconomic policies and the implementation of a well-targeted fiscal and monetary interventions on both supply and demand sides in an effort to halt the recession, boost employment, safeguard livelihoods, and stabilise the world economy (Wang Yi, 2020). Different approaches were taken by members of the BRICS organisation to protect their economies during and after the COVID-19 pandemic (Jiao et al., 2022). Each member nation enacted different tax policies to lessen the pandemic's socioeconomic effects there (Reserve Bank of India, 2021). The measures taken include relaxation of fiscal laws, tax relief, tax reductions and deferments, amongst others (Reserve Bank of India, 2021).

In the meeting held by Heads of Tax Authorities of the BRICS countries that took place in Moscow, Russia in 2021, it was stated that the BRICS tax authorities remained committed to take measures that ensured business continuity while also taking the responsibility to secure tax revenue necessary to provide state support to businesses and individuals (Reserve Bank of India, 2021).

The International Monetary fund suggested these fiscal measures to global policymakers, governments, leaders, and authorities as emergency lifelines during the pandemic (Shah, 2020):

- Clear objectives that emphasised solidarity and equity.
- Continuously updated fiscal measures (e.g., tax adjustments and reforms).
- Cost-effective tax measures that could be achieved in the medium term.
- Increased government capacity to ensure timely support of businesses and individuals.
- A policy action plan that considered financial constraints.
- Ensuring transparency, good governance and accountability while assessing and disclosing costs to mitigate COVID-19.

This chapter will look at tax policies taken by individual countries in the BRICS organisation and compare them to South Africa's tax policies.

6.2 Brazil

The coronavirus had a negative impact on the Brazilian economy and the federal government put measures in place to protect individuals, maintain Brazilian employment levels, and reduce the virus's impact on the country's health system (Deloitte, 2020). The federal government of Brazil granted tax advantages for businesses and individuals to support them through the pandemic (Orsolon, Advogados & Paulo, 2020).

6.2.1 Tax relief

Within the Brazilian federal revenue, the federal government halted court lawsuit deadlines, procedural deadlines, and administrative procedures (Orsolon, Advogados & Paulo, 2020).

Administrative tax appeals were also suspended (Orsolon, Advogados & Paulo, 2020). The Brazilian Central Bank introduced a new emergency credit line to let small and medium-sized businesses cover two months' worth of labour, tax, and staff salaries at a reduced rate of interest, provided that the companies maintained their staff and did not fire employees during the loan period up to two months after the loan had been paid off (Orsolon, Advogados & Paulo, 2020). Brazilian companies were allowed to temporarily suspend employment contracts and offer virtual courses or a programme of professional qualifications in lieu of employment for the duration of the suspension period (Orsolon, Advogados & Paulo, 2020). Medium and large companies were given an extraordinary settlement programme to pay outstanding tax debts for 81 months, while individuals and small businesses were given 142 months (Bottino, Castro & Sardas Iecker, 2020). The federal government also granted 90 days extension for validity of tax clearance certificates.

6.2.2 Tax exemptions

Companies and individuals were exempted from tax payments either in full or in part for some taxes (Orsolon, Advogados & Paulo, 2020). Tax over industrialised products used by medical professionals and the import duty rate of medical products used for COVID-19 purposes were reduced to zero (Orsolon, Advogados & Paulo, 2020). Companies and individuals whose average income typically correspond to 3.38% were also exempted from tax on financial operations. Due to this exemption, the aforementioned taxpayers were able to borrow money during the pandemic to pay their employees, repay their taxes, and settle other debts without incurring additional taxes (Orsolon, Advogados & Paulo, 2020). In addition, there was a reduction of 50% in payroll tax rates of the contributions to the autonomous social services (Orsolon, Advogados & Paulo, 2020).

6.2.3 Extension of deadlines

The federal government also extended deadlines so that there was enough time to comply with tax obligations. Extensions for administrative defence, appeals against decisions rendered in the Administrative Procedure for Recognition of Responsibility, nonconformity defence, appeals against decisions made in the Special Tax Amnesty Programme exclusion process, early offers of guarantees in tax execution, requests for Review of Registered Debt (PRDI), and appeals against decisions that were rejected were all extended for a period of 90 days (Bottino, Castro & Sardas Iecker, 2020).

The municipal governments of Brazil announced a suspension in the date by which administrative defences must be filed, conditions must be met, and the procedure to cancel municipal registrations must be followed. This was extended for 60 days. The tax clearance certificate for tax on services and fees, in effect as of 18 March 18, 2020, that determines virtual service of tax duty to dispel tax obligation questions was also extended and was now in effect for an additional 60 days (Bottino, Castro & Sardas Iecker, 2020).

6.3 Russia

The Russian government introduced measures to support businesses and ensure sustainable economic development (Tissot & Kabanova, 2020). Russia amended the tax legislation due to the spread of the virus to help Russian taxpayers that were most affected by the pandemic (Tissot & Kabanova, 2020).

6.3.1 Measures to support businesses

The Russian government was authorised to issue legal acts in the domain area of tax, particularly the suspension, abolition, or deferral of the tax in all control measures, the extension of the due dates for filing and paying taxes, and new criteria and processes for additional tax relief measures (Tissot & Kabanova, 2020).

All tax examinations were suspended until 1 May 2020 (Nistratov, 2020). The deadline for filing annual tax returns was postponed to 31 March 2020 (Nistratov, 2020). All taxes except VAT were deferred for six months (Nistratov, 2020). This applied to the air transportation sector, airport activities, trucking services, cultural services, leisure and entertainment, fitness activities and sports, travel agencies and tourism-related organisations, hotels, catering, education and non-governmental educational institutions, organisation of conferences and exhibitions and provision of domestic services to the population (Nistratov, 2020).

6.3.2 Measures to Support SMEs

Social contribution rates were decreased by 15% and this applied to salaries above the minimum monthly salary (Tissot & Kabanova, 2020). Razumovskaia et al. (2020) stated in their thorough analysis that a payment postponement for all taxes excluding VAT, a loan payment deferral, and an insurance premium holiday for six months were the most frequently employed ways to promote SMEs (Tissot, Kabanova, 2020).

6.3.3 Tax measures to ensure sustainable economic development in Russia

The Russian resolution stated that until 1 June 2020, no new field tax audits were started, and existing field tax audits were not continued. Audits conducted for transfer pricing and currency control purposes must follow similar procedures (Tissot & Kabanova, 2020). Also, on request, taxpayers could take advantage of several deadline extensions for submitting paperwork and information to tax authorities (Tissot & Kabanova, 2020). At this time, penalties for submitting information or papers late to the tax authorities were not applicable (Tissot & Kabanova, 2020).

The Russian government also saw it necessary to introduce measures aimed at boosting their tax collection during the COVID-19 pandemic (Invanenko & Chelyshkov, 2020). Measures taken included reduced interest rate and dividends tax under international treaties being removed (Invanenko & Chelyshkov, 2020). This meant that a treaty to avoid double taxation was removed and non-residents were required to pay 15% interest and 15% dividends tax on income (Invanenko & Chelyshkov, 2020). Interest income earned on deposits from banks situated in Russia were subject to taxation. The tax base would be calculated as the excess of total interest received by the taxpayer during the tax period on all deposits (Invanenko & Chelyshkov, 2020).

6.4 India

The Income Tax Department of India took immediate action to amend strict timelines in the Indian Income Tax Act of 1961 (Sharma, 2022). The amendments were as follows:

6.4.1 Direct tax measures in the COVID-19 period

A processing initiative was introduced, which allowed India’s Central Board of Direct Taxes to speed up processing income tax returns and therefore grant refunds more rapidly (Sharma, 2022).

Individual taxpayers filing income tax returns and non-tax audit cases had until December 2020; and for other cases with the year of assessment ending 2020-2021, the deadline was extended to 31 January 2021 (Sharma, 2022). A new dispute resolution process for clearing huge pending tax appeals was introduced in March 2020 to 28 February 2021 (Sharma, 2022). India also introduced a taxpayer's charter that that entailed duties and responsibilities of the Income Tax Department of India and the taxpayers (Sharma, 2022).

6.4.2 Payroll tax

Businesses with fewer than 100 employees and up to 90% of workers receiving salaries of up to INR 15 000 a month had to pay up to 12% of basic salaries to the employees' provident fund from March to August 2020 (Sharma, 2022). Workers who did not qualify for the above-mentioned support had an extra reduction of 2% in their employees' provident fund (Sharma, 2022).

6.4.3 Extension of tax-compliant timelines

In India, the government extended the due date for filing of original and revised tax returns for the financial year of 2018-2019, which ended on 31 March 2020. This was extended to 31 July 2020 (HSBC, n.d.). Additionally, from 30 June to 31 July 2020, the deadline for making tax-saving investments for the 2020 fiscal year was extended (HSBC, n.d.). This gave the taxpayer additional time to invest in tax-saving tools and file tax relief claims under the various sections of the Indian Income Tax Act (HSBC, n.d.).

6.4.4 Corporate income tax

The filing of returns deadlines for the financial year that started on 1 April 2019 and ended on 30 November 2020 were extended again from 30 September 2020 to the financial year that started on 1 April 2020 (I'Estoile-Campi, 2020). No penalty was assessed for late tax payments made between 20 March 2020 and 30 November 2020, and the interest rate for overdue payments was decreased to 0.75% per month (I'Estoile-Campi, 2020).

6.4.5 Tax deducted at source and tax collection at source rate cuts

The rate of tax deduction at source was reduced by 25% or non-salaried payments made to residents to enhance liquidity in the hands of taxpayers (HSBC, n.d.). The rate of tax collection at source was also reduced by 25% to provide taxpayers with more funds (HSBC, n.d.).

6.4.6 Issuance of tax payments

To help taxpayers with cash flow issues, the Indian government stated that any delayed income tax refunds up to INR 500 000 would be issued promptly (HSBC, n.d.). This measure helped small businesses including sole traders and partnerships, charitable trusts, and non-corporate businesses (HSBC, n.d.).

6.5 China

China released several tax laws to help firms affected by the COVID-19 outbreak with their financial burdens (Zhou, 2022). The following measures were taken by the government of China:

6.5.1 Value-added tax

- Businesses that produce protective supplies for the COVID-19 epidemic were eligible for a full VAT credit (Crowell, 2020).
- Transportation of protective materials required for the prevention and management of COVID-19 pandemic was not subject to VAT (Crowell, 2020).
- Certain products were eligible for an increased refund in exports (Crowell, 2020).

6.5.2 Enterprise income tax

- Businesses that were severely impacted by the COVID-19 pandemic were permitted to carry losses from 2020 forward for up to 8 years (Crowell, 2020).
- Manufacturing businesses were given a one-time pre-tax deduction for equipment purchases that would increase their ability to provide essential protective products for containing and preventing the pandemic (Crowell, 2020).
- Donations made to non-profit organisations, county-level governments, state agencies, or other government entities were fully deductible from enterprise income tax prior to taxes being applied to the full amount of cash and in-kind donations (Crowell, 2020).

6.5.3 Individual income tax

- Individual income tax was not applied to benefits and bonuses for temporary work performed to stop and contain the outbreak of the disease (Crowell, 2020).
- Individual income tax exemption was granted for COVID-19 medications and protective equipment provided to individuals through businesses (Crowell, 2020).

6.5.4 Customs

- Health authorities imported products that were specifically utilised to prevent and control the pandemic, and they were tax-exempt (Crowell, 2020).

6.6 Other changes in the BRICS countries

6.6.1 Brazil

Brazil implemented the following measures to temporarily reduce customs duties: (KPMG, 2020):

- The initiatives included lowering the rates of the tax on industrialised goods for certain products (KPMG, 2020).
- Reduced import tax rates to zero in accordance with Treaty of Montevideo of 1980 Article 50, Paragraph D, as implemented by Legislative Decree No. 66 of November 17, 1981 (KPMG, 2020).
- The Chamber of Foreign Trade's Executive Management Committee lowered the import tax rates to zero for more goods on June 22, 2020 (KPMG, 2020).

For customs clearance, the following measures were taken:

- Clearance of imported items used to fight the COVID-19 pandemic was prioritised (KPMG, 2020). This was created to expedite the movement of products necessary to fight the infection (KPMG, 2020). Additionally, modifications were made to the normative guidance used to control import customs clearance (KPMG, 2020).

- For qualifying items that were mentioned on Annex II of IN SRF No 680/2006, the customs laws were changed to make it possible to record import declarations prior to the release of commodities (KPMG, 2020).
- The Official Gazette of the Union released Normative Instruction RFB (Receita Federal do Brazil), no 1.9444 on May 5th, 2020, which provided for expedited dispatch for raw materials that were needed to manufacture medicine (KPMG, 2020). By accelerating the delivery of the cargo and allowing its commercial use to strengthen the fight against the virus, the RFB hoped to maintain a swift flow of goods, merchandise, and raw materials destined to combat the pandemic and prevent bottlenecks in customs regions (KPMG, 2020).
- The goods sent by mail or international air orders that must comply with the Simplified Taxation Regime (RTS), which ordinarily imposes a 60% rate on imported goods with a cap of $10 000 USD, were added to the list on May 11th, 2020, to have zero import tax rates until September 30th, 2020 (KPMG, 2020).
- By resolution of the Foreign Trade Chamber (Camex), an interministerial body presided over by the Ministry of Economy, the import tax on an additional 118 items used to fight the COVID-19 pandemic in Brazil was cut to zero on 18 May 2020. This brought the overall number of products with cancelled import taxes to 509. More than 80 medications on the new tariff reduction list were deemed vital by Brazilian municipalities to combat the pandemic (KPMG, 2020).
- To aid in the fight against the new coronavirus pandemic (COVID-19), the Federal Revenue enlarged the list of products on 26 May 2020 that had an import dispatch carried out in a priority manner. Hospital equipment and raw materials for the production of medications, among other things, were given priority shipment under Normative Instruction RFB no 1,955, which was issued in a special edition of the Official Gazette (KPMG, 2020)
- The National Institute of Metrology, Quality and Technology (The National Institute of Metrology, Standardization and Industrial Quality (INMETRO) is a Brazilian federal autarchy, linked to MDIC, the Ministry of Development, Industry and Foreign Trade) extended particular terms and conditions for conducting conformity assessment during a pandemic, and Decree No. 10 407 promulgated Law No. 13,993/2020, which placed a ban on exports of medical, hospital, and hygiene products necessary to combat the pandemic (KPMG, 2020).

The following measures were implemented for exports:

- The Foreign Trade Secretariat (Secex) of the Ministry of Economy was given permission to extend the term of validity of concessionaires' Acts under the Special Customs Regime for Drawback in operations that would expire in 2020 for an additional year on an exceptional basis by Provisional Measure 960, which was published in the Official Gazette of the Union on the 4th of May 2020. The government's decision to act immediately was supported by a Secex survey that showed that, of a stock of 3,356 drawback concessions in the Suspension modality due in 2020, there were about US $23 billion in exports committed under the regime but not yet executed (KPMG, 2020).

- Normative Instruction RFB No. 1 960, which established measures to lessen the economic effects of the pandemic brought on by the COVID-19 in relation to the beneficiaries of the Special Customs Regime of Industrial Warehouse under Computerised Control (Recof) and the Special Customs Regime of Industrial Warehouse under Computerised Control of the Public Digital Bookkeep, was published in the Official Gazette of the Federal Government on the 18th of June 2020 by the Federal Revenue (KPMG, 2020). For the computation periods ended between 1 May 2020 and 30 April 2021, the industrialisation and export indices necessary to continue in the regime were cut by 50%. It was also suggested that the term of action of the regimes, or their extension, be extended by one year in the case of products admitted between 1 January to 31 December 2020 (KPMG, 2020).

It is evident from the aforementioned measures implemented in Brazil that trade was facilitated and closely regulated during the pandemic. Some of these measures can be used by South Africa to manage trade during potential future pandemics.

6.6.2 Russia

6.6.2.1 The Russian government lowered the rates of social contributions for SMEs. The term ‘social contributions’ refers to all payments or contributions that the company or any of its subsidiaries are required to make, withhold, or pay, including but not limited to payroll contributions, contributions for unemployment insurance, retirement, social security, or other social benefits (Law Insider, n.d.).

Instead of the usual 30%, the cumulative social contributions rate was 15% for SMEs and this was applied to all salaries above the minimum monthly pay (CMS Law, 2020).6.6.2.2 For tax purposes, non-working days were treated as official public holidays.

The law makes it clear that newly introduced non-working days in Russia must be considered in the same way as recognised public holidays and weekends. This would cause some of the dates for tax reporting and payment to change (CMS Law, 2020). In response, the Russian government further extended the filing and payment deadlines for taxes, as more specifically described below, in accordance with new powers provided to it by the law (CMS Law, 2020).

6.6.2.3 New tax line of taxing interest earned on personal bank deposits was introduced:

- The law established personal taxation of interest income from bank deposits in Russian banks, whether they were in Russian rubles or other currency (CMS Law, 2020). The same law repealed a tax break that had previously been in place for interest income derived by people from specific kinds of debt securities (CMS Law, 2020).

6.6.2.4 Tax administration and payment

- The obligation to pay taxes was placed directly on the individual taxpayers by banks because they were not operating in the capacity of tax agents when they paid interest due to individuals (CMS Law, 2020). The tax obligation would be paid in accordance with a tax notice issued by the tax authorities no later than the first day of the year following the year in which the taxpayer earned the income (CMS Law, 2020). As a result, the first tax payments for the year 2021 must be made by the first day of December 2022 (CMS Law, 2020). The new regulations exempted taxation of earnings from escrow accounts and rouble bank deposits with annual interest rates under 1% (CMS Law, 2020).

6.6.2.5 Information sharing and new responsibilities for Russian banks

- Russian banks were required to provide the country's tax authorities with details on the interest income that was paid to each person within a specific calendar year. By 1 February of the year that followed the ended tax period, this information had to be given in the format specified, which would be further regulated by the Russian tax authorities (CMS Law, 2020).

The tax rate adjustment for SMEs was a useful policy to implement during times when taxes were stagnant since it would attract taxpayers. The introduction of interest generated on personal bank accounts was also a critical step for increasing the tax base.

6.6.3 India

- Borrowing restrictions for fiscal years 2020-2021 were raised from three to five percent of respective state governments' GDP to encourage higher borrowing by respective state governments in order to increase liquidity (Sharma, 2022).
- The RBI (Reserve Bank of India) reduced the Cash Reserve Ratio, injecting 137 000 crores[1] of liquidity into the market through banking institutions (Sharma, 2022).
- A ‘single ration card’ was implemented for all citizens of the country, as well as free food grain delivery to the displaced people affected by COVID-19 via applications submitted through the newly opened specialised online page (Sharma, 2022).
- Guarantee-free business borrowings up to Rs 300 000 crore were introduced and a dedicated corpus of Rs 10 000 crore for micro, small, and medium enterprises (MSMEs) was established to increase enterprises' disposable funds (Sharma, 2022).
- The definition of MSMEs was amended and payment of dues to them within 45 days was prioritised to increase their cash flow; and, as a safety net during stormy times, global tenders for government were introduced for procurements of up to 200 crore (Sharma, 2022).
- TDS and TCS rates for non-individuals were reduced by 25%, resulting in an increase in cash liquidity of about 50 000 crore (Sharma, 2022).
- Concessional lending facilities were set up for 2.5 million farmers, together with the establishment of a rupees 100 000 crore Agri-infrastructure fund to assist them in obtaining timely agricultural input (Sharma, 2022).
- The Indian government launched new leave travel concession cash vouchers and festival prepayment plans to increase liquidity through employee spending (Sharma, 2022).

[1] In Indian numbers, a crore indicates ten million and is equivalent to 100 lakhs. It is written with the local 2, 2, 3-digit group separators as 1 00 00 000 in this case. It is commonly used in Afghanistan,

6.6.4 China

According to the China Tax Policy Review, the following changes were implemented:

- China targeted tax administration, including increased oversight of major industries and taxpayers, together with increased efforts to promote inclusive and responsible tax enforcement and tax service optimisation, and the creation of a favourable tax environment that balanced justice and mercy (PwC, 2022).
- Value-added tax (VAT), corporate income tax (CIT), deed tax, and land appreciation tax were subject to tax and fee reduction programmes (PwC, 2022).
- Tax policies that continue to support innovation and entrepreneurship, as well as technological research and development, were promoted (PwC, 2022).
- new tax actions in response to the COVID-19 pandemic that included an engagement in international tax rulemaking and management of advance pricing arrangement (PwC, 2022).

6.7 Conclusion

BRICS countries took various tax measures to support their economies during the pandemic, with the focus on relieving businesses and individuals that were mostly affected by the pandemic. Below is a summary of the measures implemented in the BRICS economies:

BRICS member	**Initial set of measures introduced in 2021**	**Effect of the measures in the subsequent year on tax**
Brazil	A reduction in payroll taxes for certain industries, a tax deferment programme for SMEs, and a temporary reduction in imports tariffs for certain products (Orsolon, Advogados & Paulo, 2020).	Although COVID 19 had a significant impact on economic statistics, Brazil's economy concluded 2021 on a stronger basis than anticipated (PWC, 2022). Brazil's tax collection increased in 2021.
Russia	A reduction in social security contribution for employers, and a deferral of tax payments for small businesses, postponement of deadlines, suspension of tax audits and suspension of tax collection (Unicon, 2020).	The decline in production and the slow increase of prices of production in Russia caused a decrease in tax collection (Malkina, 2022).
India	Extension of tax filing deadlines and waiving of penalties for overdue payments, as well as the reduction in the interest rates for tax payments.	According to media reports, additional stimulus measures were anticipated in India, including increased infrastructure spending and direct benefit transfers (Taxand, 2021).
China	Reduction in VAT rates for certain industries and tax relief for small to medium-sized businesses.	Effective COVID-19 countermeasures, a steady increase in foreign investment and trade, and more sustainable fiscal policies that improved quality and

		efficiency were all credited by China for its long-lasting economic recovery (PWC, 2021).
South Africa	Deferral of payment of VAT, deferral of payment for provisional tax, accelerated employment tax incentives, small business relief, donations tax exemption, increased excise duties (SARS, 2020).	Total revenue collection of national government declined because of reductions in income taxes, levies on goods and services (i.e., value-added tax, excise taxes), and reduction in taxes collected from corporations and other enterprises (Stats SA, 2021).

The economic circumstances that the BRICS countries faced compelled them to reconsider their tax policies. The administrations confronted numerous dilemmas, including attempts by governments to maintain economic stability while reducing tax revenue and increasing spending were met with resistance. Some states, like South Africa, even went so far as to allow their residents to use the unemployment insurance fund to make up the shortfall. The majority of COVID-19's tax system modifications were brief yet had long-lasting effects.

The pros and cons of some of the tax changes are listed below.

COVID-19 tax measure	**Pros**	**Cons**
Decrease in interest or tax payments	Tax reductions enhance disposable income, which permits consumers to spend more. This measure, just like many other measures, was implemented to assist tax payers.	Tax cuts result in lower government revenue and a budget deficit or higher national debt. (OECD, 2021) The BRICS committee members were under pressure to enact this tax proposal, which resulted in significant debt for them.
Extension of the financial and tax reporting period	This policy was put in place to assist taxpayers by enabling them to concentrate on preserving their businesses' operations so that they could carry on after the pandemic.	This could lead to misunderstandings and inaccurate estimates of the taxes owed to the governments. In-depth tax audits would have to be carried out, adding to the government's already burdened tax expenditures.
Improving the accessibility of remote services to taxpayers	extremely rapid, lowering the expense of in-person service delivery and paperwork	Internet frauds and other dangers that could lead to a rise in cyber security

The BRICS countries' financial stability was negatively impacted by the pandemic measures they implemented, as the above pros and disadvantages table makes evident. This should serve as a clear warning that contingency plans or emergency funds are needed in case of future pandemics.

Chapter 7: THE OECD'S VIEW OF DEVELOPING COUNTRIES

Tax administrators play a significant role in delivering pandemic responses while attempting to keep revenue flowing (Narula, 2020) This has been a demanding responsibility in developing countries with limited resources (Organisation for Economic Cooperation and Development, 2021). Governments in developing countries lacked the resources to execute basic WHO (World Health Organisation) guidelines to combat the spread of COVID-19 (Narula, 2020).

This opinion was shown to be the case in South Africa because the country had trouble housing and isolating every patient who had COVID-19. The majority of public hospitals that relied on government to meet their needs with tax money suffered from a lack of beds. This shows a gap in planning the financial affairs of the country and an inability to deliver essential services. The need for a tax structure that promotes innovation, productivity, and inclusive and sustainable economic growth must be weighed against the need for governments to obtain the revenues needed to fund its social and economic initiatives (OECD, 2021).

According to the OECD (2021), developing countries rely mostly on VAT and corporate income tax, which were the most affected by the pandemic. VAT and customs duty on importation of essential goods were exempted during the period of the pandemic in South Africa. The OECD worked with developing countries to help recover lost taxes and maximise revenue collection while developing optimal tax policy (OECD, 2021).

The OECD and developing countries collaborated on issues such as inclusive international standards, country level capacity building programmes, expertise in tax administration and policy assistance, developing data, and conducting analysis in partnership with international and regional tax organisations and other stakeholders (OECD, 2021). Even after the COVID-19 pandemic, developing countries would still be under tax pressure (OECD, 2021). The crisis would make current development issues worse (OECD, 2021). Although governments had begun to act, their capacity was severely limited (OECD, 2021).

To combat the virus and its socioeconomic effects, governments in developing countries had to act quickly (OECD, 2021). Yet, because of pre-existing structural issues, the crisis response could hamper both short-term and long-term growth (OECD, 2021). It was the responsibility of the government to consider these effects before changing and implementing taxes (OECD, 2021). Many developing countries entered the pandemic with limited fiscal capacity (OECD, 2021). There were increasing national debt levels and declining tax revenue due to declining exports, tourism, and capital outflows (OECD, 2021).

The Centre for Tax Policy and Administration (CTPA) of the OECD ensures that the requirements of developing countries are considered and supported throughout its programme of work on tax issues (OECD, 2021) In order to improve developing countries' capacity, the CTPA has created a strong demand-led bilateral country programme that assists nations with crucial international tax issues, like transfer pricing and other BEPS-related issues, in order to mobilise domestic resources by addressing BEPS (base erosion and profit shifting) practices, adhering to international standards, and best practices (OECD, 2021). The OECD also undertakes and supports research in a wide range of fields, including the critical role that taxes plays in state development, the taxation of the extractive industries, and the potency of tax incentives as a tool for policy to attract investment (OECD, 2021).

The OECD report (2021) assisted developing nations by exchanging information on tax policy, providing administrative answers to the pandemic, preventing tax evasion in developing nations, putting an end to tax evasion, cooperating in the areas of taxation and development, and preparing for the future after the pandemic (OECD, 2021).

The OECD suggested temporary tax policy and tax administration measures that governments should consider while dealing with the challenges imposed by COVID-19.

7.1 Consumption taxes

The International VAT/GST Guidelines, with a focus on trade in services and intangibles, were recognised by the OECD in 2016 as the globally accepted norm for the application of VAT/GST to international trade (OECD, 2021). These Guidelines offer suggested policies and procedures for collecting VAT/GST on digital trade, which 69 nations worldwide, including all 36 OECD nations, have implemented (OECD, 2021). The OECD's International VAT/GST Guidelines were created to promote the neutrality of VAT/GST in global trade, to reduce the risks of double taxation and ambiguity caused by inconsistent VAT/GST application in global trade, and to enable efficient VAT/GST collection on international commerce in services and intangibles (OECD, 2021).

These changes have already reduced competitive distortions between traditional firms and online retailers, and they have also generated considerable VAT/GST revenues (OECD, 2021). These have been more useful in times of COVID-19, especially with growing demand for digital goods and online services because of the explosion in online shopping (OECD, 2021). The OECD continued to engage with developing countries to help them implement the suggested ways for collecting VAT on digital trade (OECD, 2021).

7.2 Financial assistance

The COVID-19 pandemic led to increased unemployment and substantial risk of business failure which needed government intervention. Governments had to take actions such as:

7.2.1 Financially supporting citizens

This can be done by extending new unemployment benefits, income assistance, once-off grants, and other financial aid (OECD, 2021). All households with incomes below specific thresholds, people who had lost their jobs, students and recent graduates who were unable to find employment, and self-employed people who might have experienced significant reductions in income as a result of containment measures or due to significantly decreased demand could be recipients (OECD, 2021).

7.2.2 Employer subsidies

Businesses that received subsidies should be encouraged to retain employees and rehire people fired as a result of COVID-19 or help prevent further job losses (OECD, 2021)

7.3 Increasing transparency and information exchange

Through greater transparency and information sharing, the OECD has taken the lead in the global campaign to combat tax evasion (OECD, 2021). The OECD created the global guidelines on information sharing and transparency (OECD, 2021). It enables openness and information exchange upon request, as well as the automated exchange of financial account information (OECD, 2021). Data that is 'foreseeably relevant' for tax reasons must be made available to tax authorities in order for them to share it with tax authorities in other nations in accordance with an international agreement (OECD, 2021).

Financial institutions are required by the automatic exchange of financial information to give information on financial accounts to their domestic tax authorities, who then share such information on an annual basis with their foreign equivalents (OECD, 2021). Effective legal mechanisms for exchanges have been developed by the OECD, such as tax treaties based on the Model Tax Convention (Article 26) or the Model Tax Information Exchange Agreement (Model TIEA), which was developed in 2002 (OECD, 2021).

The Global Forum [2]supports its members, especially the developing countries, by monitoring and reviewing the fulfilment of automatic exchange of financial account information commitments to successfully participate in and gain from such interactions (OECD, 2021).

7.4 Tax evasion and other illegal financial flows

The strategic, political, and economic interests of both rich and developing countries are threatened by tax evasion, money laundering, corruption, and other financial crimes (OECD, 2021). They demolish the taxpayer's willingness to pay taxes and also and deprive governments of revenues needed for sustainable development (OECD, 2021). To stop these operations, there is a need for improved openness, more efficient intelligence gathering and analysis, and increased information sharing among governments and their taxpayers (OECD, 2021).

The above-mentioned crimes also have a negative effect on revenue and, therefore, tax collection (OECD, 2021). The OECD outlines several strategies and actions that nations should adopt to combat professional intermediaries that assist tax evasion and other financial crimes on behalf of their criminal clients, according to a report published in February 2021 (OECD, 2021). These strategies can be used in South Africa on the common cases of the above-mentioned professional intermediaries that assist tax evasion. The best universal tool to combat tax evasion is information exchange and tax transparency (OECD, 2021).

7.5 Conclusion

According to their policy, the OECD is an international organisation that aims to develop better policies for better lives. Non-OECD members are welcome to follow the OECD Guidelines for Multinational Enterprises. South Africa as a developing state can therefore follow these guidelines even though it is not a member of the OECD countries. The guidelines have been adopted from 1976 and they are constantly updated. Many tax issues such as tax evasion and tax avoidance,

[2] The Global Forum on Transparency and Exchange of Information for Tax Purposes was established in 2000 and underwent a restructuring in September 2009. It includes OECD members as well as additional nations that have committed to implement tax-related information sharing and transparency measures.

amongst others, are common in many countries and taxpayers are always looking for loopholes to benefit from these. Countries must always be prepared even in times of pandemics, to better handle all these existing and arising tax issues. The OECD is always publishing reports that can be helpful.

Chapter 8: BETTER TAX POLICIES THAT CAN ASSIST SOUTH AFRICAN TAXPAYERS

Globally, tax administrators have taken measures to support taxpayers by easing the tax burden and supporting businesses and individuals with cash flow problems. To assist taxpayers during the COVID-19 pandemic, the OECD has suggested the measures below:

8.1 Enhancing services and communication initiatives

Over time, tax administrators might think about extending their digital communication options. The rising usage of digital services could lessen personal interaction and speed up responses for taxpayers (OECD, 2020). The SARS website was developed by the South African government as a way to enhance communication services (OECD, 2020). The SARS website primarily aids in the filing of returns. Compared to other BRICS countries, the following initiatives were implemented:

- Brazil: the internet and the traditional media were the main platforms for Brazilian government communication. To answer taxpayers' questions about personal income taxes via a digital app, a chatbot was created (OECD, 2020).
- Russia: The COVID-19 web page maintained by the Russian government included relevant details and connections to online remedies (OECD, 2020).
- India: No measures were listed.
- China: The People's Republic of China also used official websites, hotlines, text messages, as well as online interviews and video demos, to react to inquiries (OECD, 2020).

8.2. Deferral of payments

Tax administrators in South Africa were able to assist taxpayers by postponing payments due in instalments, adjusting advance tax payments downward, or even suspending such payments (OECD, 2020).

Businesses that paid their taxes on time and had annual revenue under R50 million were allowed to defer 20% of their pay-as-you-earn obligations and a portion of their provisional corporate income tax payments over four- and six-month periods respectively, without incurring penalties or interest (OECD, 2020). It was anticipated that this action would support over 75 000 small and medium-sized businesses of the countries that implementing it (OECD, 2020). Compared to other BRICS countries, the following measures were taken to defer payments:

- Brazil: no measures were taken in this regard.
- Russia: For a maximum of five years, taxes might be deferred, but there were restrictions (OECD, 2020). Business industries received an extension for filing taxes or paying for filing of taxes:

- All taxes (apart from VAT, professional income tax, and taxes withheld by the tax agent) had a 4-month extension if payment was due in April through June 2nd quarter and the first six months of 2020; and a 6-month extension if payment was due in March (OECD, 2020).
- Taxes paid under the Simplified Tax System, the Unified Agricultural Tax, and Corporate Income Tax that were due in 2019 (OECD, 2020).
- Tax payments made under the patent tax system that were due in the second quarter of 2020 received a 4-month delay (OECD, 2020).
- A 3-month delay was granted to individual entrepreneurs who owed personal income tax due in 2019 (OECD, 2020).
- Advance payments for land, transportation, and property taxes that were due in the first quarter of 2020 had deadline extensions of 30 October 2020 and 30 December 2020 respectively (OECD, 2020).
- Security social contributions for micro-enterprises that were expected in March–May 2020 and in June–July 2020 were each extended for six months and four months respectively (OECD, 2020).

- India: No extension measures were implemented.
- China: The contributions made by employers for their employees' endowment insurance, unemployment insurance, and employment accident insurance were temporarily reduced and exempted (OECD, 2020). The grace period for large companies, small and medium-sized firms, and micro-enterprises was three to five months (OECD, 2020). Additionally, the suspension of any deferred payment penalties and interest

8.3 Audit policies and tax certainty

Tax audits were suspended, and considerations were also given where it might be possible to provide taxpayers with early tax certainty about their tax payments if doing so could free up resources or increase cash flow (OECD, 2020). Civil litigations in South Africa continued with fewer officials present, and newly scheduled court cases were delayed. SARS, on the other hand, requested that all SARS criminal prosecution matters be postponed, as directed by the Chief Justice (OECD, 2020). The other BRICS countries took the measures below:

- Brazil: The postponement of deadlines and administrative procedures helped taxpayers (OECD, 2020). Also, there was no suspension of tax procedures regarding fraud, smuggling, tax crime and misbehaviour regarding the effort to mitigate COVID-19.
- Russia: the following compliance activities were suspended until 31 May 2020:
  - Tax audits and currency control audits that were ongoing, procedural measures to address tax offenses (OECD, 2020).
  - Opening fresh tax audits and currency control audits (except for audits that may be deemed invalid by a statute of limitations) (OECD, 2020).
  - Suspension of bank accounts (OECD, 2020).

  Failure to submit documentation between March and May 2020 was exempt from fines.

- India: no measures were taken in this regard

- China: non-contact audits that were mainly focused on desk audits and big data analyses were applied (OECD, 2020).

8.4 Increased cash benefits

Many OECD and G20 countries have social protection systems in place to provide income to households in the event of job loss, illness, or loss of income. During the pandemic, many countries expanded these backup systems to encompass categories and cases that had not been covered to provide a higher level of protection (OECD, 2020).

8.5 Suggestions by the IMF

The ideal tax system in developing countries like South Africa should be raising revenue to finance government spending, without excessive government borrowings (IMF, 2020). Choosing the correct tax system is crucial because calculating the ideal tax rate is similar to calculating the ideal quantity of government spending (IMF, 2020). Administrative processes for tax systems should be clear and uncomplicated so that it is obvious when the system is not being applied correctly (IMF, 2020).

The International Monetary Fund suggested the following tax systems for developing countries:

8.5.1 Personal income tax

Personal income tax yields little revenue in many developing countries because the number of individuals subject to this tax is small (IMF, 2020). By reducing the degree of nominal rate progressivity, the number of brackets, and the number of exemptions and deductions, the effective rate of personal income tax in developing nations could be raised (IMF, 2020). If rates cannot be restructured, equity can still be achieved by replacing tax deductions with tax credits and delivering the same benefits to taxpayers in all brackets (IMF, 2020). The top marginal tax rate should not differ much from the corporate tax rate, according to sound tax policy (IMF, 2020).

The top marginal tax rate in South Africa is 45%, which is materially different from the corporate tax rate of 28%. South Africa as a developing country might need to consider the personal income tax suggestion by International Monetary Fund (IMF, 2020).

8.5.2 Tax reforms to support the post-COVID-19 economic rebound

- Need for focused tax incentives.

The pandemic's repercussions have demonstrated that both organisational outlook and consumer behaviour have changed (Hemkar, 2021). Several sectors, including tourism, hospitality, retail, the automotive, real estate, and SMEs, have been particularly hard hit, but digital technology has also significantly altered consumer behaviour (Hemkar, 2021). On the other hand, other industries, including healthcare and pharmaceuticals, processed foods, online learning, gaming, and media, have had considerable expansion throughout this time (Hemkar, 2021).

Governments are encouraged to screen taxpayers who were most affected and hear their suggestions (Hemkar, 2021). For companies investing over a particular amount in labour-intensive industries including textiles, food processing, transport and logistics, leather, and automotive, the government may consider enacting a five-year tax vacation (Hemkar, 2021).

- Tax administration has been rationalised.

Tax administrators recognised the need to ease tax administration, although transfer pricing and international tax areas of tax administration were not included under any COVID-19 adjustment measures (Hemkar, 2021). This can help to rationalise the tax administration (Hemkar, 2021). All evaluations should be covered by a faceless assessment programme, and the government should use technology even more to improve these services.

- Facilitating international trade.

Many governments quickly introduced innovative and flexible measures to keep trade flowing across borders – to ensure essential goods like vaccines, medical equipment, pharmaceuticals and food products were not delayed. Some countries, including India, have unilaterally adopted equalisation fees to tax some earnings from digitalisation while also trying to facilitate trade (Hemkar, 2021).

Using a sector-specific strategy, the tax administrations should emphasise significant changes while boosting consumer demand. Stable and more lucid tax laws supported by a fair tax collecting process (Hemkar, 2021) are desirable.

8.6 Conclusion

Policymakers should choose policies that are efficient while also encouraging taxpayer engagement (OECD, 2020). Governments will need to maintain sustainable growth through sufficiently strong and persistent stimulus to improve tax income after the effect of policy action during the crisis. The following measures could be adopted in South Africa:

Measures suggested by the OECD	**Measures suggested by the IMF**
Increasing international collaboration in seeking new ways of recovery and providing targeted stimulus to COVID-affected individuals and entities (Sharma, 2022).	To give a fair playing field to small and large taxpayers, taxation must be progressive and inclusive (Sharma, 2022).
Implementation of expansionary fiscal policies and new taxes to generate the additional resources required to combat the pandemic (Sharma, 2022).	With diminishing tax-to-GDP ratios in emerging nations, taxation must focus on establishing a new dispensation for generating additional revenue after the COVID-19 crisis is resolved (Sharma, 2022).
Tax rates should be rationalised for inclusive growth, and the taxpayer's compliance burden should be reduced (Sharma, 2022).	As a long-term sustainable goal, governments of developing countries must build tax capacity among new taxpayers (Sharma, 2022).
To allow taxpayers to absorb the economic shock, income returns must be processed quickly, and refunds issued as soon as possible (Sharma, 2022).	

Extending deadlines, deferring tax payments, suspending penalties, and using unfavorable debt collection procedures (Sharma, 2022).	

Additionally, South Africa can also take guidance from measures implemented by the CBDT (Central Board of Direct Taxes) of the government of India, which is in charge of managing direct taxes in India (Sharma, 2022). The CBDT took quick action to mitigate the effects of declining economic growth as a result of the March 2020 national lockout. (Sharma, 2022).

The vital measures taken include:

- The CBDT launching the 'Jhatpat Processing' effort to expedite the processing of income-tax returns (ITRs) and the granting of refunds. By the end of January 2021, around Rs 1.81 lakh crore in income-tax refunds had been distributed to 1.74 crore to people (Sharma, 2022).
- Extending the due dates of all ITRs filers up to 31 December 2020, for individual and non-tax audit cases and up to 31 January 2021 for other cases for the assessment year 2020–2021 (Sharma, 2022).
- Addressing the massive backlog of ongoing direct tax appeals, the government launched the Vivad se Vishwas (From Conflict to Trust) Scheme in March 2020, which was extended until 28 February 2021 (Sharma, 2022).
- The introduction of the Income Tax Department's Faceless Assessment Scheme for scrutinising ITRs in an e-mode as part of an endeavor to offer transparent governance was introduced (Sharma, 2022).

Chapter 9: TAX POLICY REFORM AFTER THE COVID-19 PANDEMIC

9.1 Tax Maxims

When adjusting tax policies, the maxims of the great economist, Adam Smith must be considered.

9.1.1 Maxim 1

In Smith's first maxim of taxation, each state's constituents should, as nearly as practicable, contribute to the government's support in proportion to their respective capacities, i.e., in proportion to the income they each receive while being protected by the state (Smith, 1776, p. 451). By implication, this means that taxes are paid only from revenue and not from capital. In this maxim lies what Smith calls the inequality of taxation (Smith, 1776, p. 451). The word 'equality' in this context does not imply that every taxpayer must pay the same exact amount in taxes (Smith, 1776, p. 451). The poor should pay less in taxes while the rich should pay more in order to achieve equality (Smith, 1776, p. 452). This maxim brings essential ideas needed to bring about social equality in the nation (Smith, 1776, p. 452).

9.1.2 Maxim 2

Everybody must pay a tax, but it should be a fixed amount and not determined at random (Smith, 1776, p. 452). The contributor and everyone else must understand the time of payment, the method of payment, and the amount to be paid (Smith, 1776, p. 452). The certainty of the amount of tax that one must pay is particularly important even if it is unequal (Smith, 1776, p. 452). Taxes that are understood and predictable enable people to estimate and create better strategies (Smith, 1776, p. 452).

9.1.3 Maxim 3

Every tax should be imposed when it is most likely to be convenient for the payer to do so, or when he is most likely to have the resources to do so (Smith, 1776, p. 452).

9.1.4 Maxim 4

Every tax should be designed to take as little money as possible out of people's pockets, in addition to what it takes into the public purse of the state (Smith, 1776, p. 453). In the following ways, taxes have the potential to drain from or keep money in people's pockets far more than they raise for the government:

- ❖ Tax collection may involve a large number of officers, whose wages could account for the majority of the tax and whose perquisites might subject the public to an additional tax (Smith, 1776, p. 453). This includes the price of paying tax officials to handle and collect taxes (Smith, 1776, p. 453). The more money a nation spends on paying its citizens to collect taxes, the less money it will have left over to invest in other areas (Smith, 1776, p. 453)
- ❖ A portion of the community's labour and resources may be diverted by taxes from more productive to less productive employment (Smith, 1776, p. 453). By the forfeitures and

> penalties that tax evaders face, which frequently bankrupt individuals and jeopardise any profit the community may have made from employing their capitals (Smith, 1776, p. 453).

Smith's resolution of several governing principles left a legacy for political and economic thought in government from the early days of the industrial revolution (Alam, 2019). Modern taxation practices have changed these concepts due to the structure of economies, changes in business processes, and technological innovation; however, the resolutions can still set a direction for tax administrators and lawmakers (Alam, 2019). Adam Smith's contribution to the intellectual renaissance has supported the legitimacy of government taxes (Alam, 2019).

9.2 Reforming taxation post COVID-19

The COVID-19 pandemic has affected public finances, and this gave rise to a need to rethink tax systems beyond the COVID-19 pandemic (OECD, 2021). The imbalance between increased government spending and lower tax revenues has driven countries into government debts and budget deficits. A mere 'return to business as usual' was not sufficient for the countries' tax recovery (OECD, 2021). The COVID-19 pandemic exposed existing long term structural challenges faced by tax systems (OECD). Countries will need to establish well-designed tax and spending policies in order to address the issues and seize the opportunities brought on by structural trends (OECD, 2021). To support inclusive recovery, fiscal policy will continue to play a vital role (Mooij et al., 2020).

The enhanced digitalisation that COVID-19 brought about is one of the tax challenges. In terms of tax and spending, policy and administration, service delivery, fiscal management, and regulatory practices and rules, this revolution has given governments opportunities as well as obstacles (De Mello & Ter-Minassian, 2020). Governments often face shortages of skills, equipment, and physical infrastructure to address emerging challenges in cybersecurity management and data protection (De Mello & Ter-Minassian, 2020).

The data also show that even though many countries approved temporary tax measures, there are inconsistencies in how these policies are implemented (Strauss, Schutte & Fawcett, 2021). The hybrid structure of the economy is not fully embraced and acknowledged by economic data (Strauss, Schutte & Fawcett, 2021).

By implementing the two-pillar strategy [3] to solve the tax issues of the digitalisation of the economy and raising the taxes on capital income at the individual level, expanded international tax cooperation may be used to address digitalisation (OECD, 2021).

Even though COVID-19 created tax difficulties, it also created chances to enhance tax policy in order to promote equitable and sustainable growth (OECD, 2021).

[3] Pillar One and Pillar Two make up the Two-Pillar Solution. For the largest multinational enterprises, who are the beneficiaries of globalisation, Pillar One seeks to secure a more equitable allocation of earnings and taxing rights among jurisdictions. Pillar Two introduces a global minimum corporation tax at a rate of 15% that governments may apply to preserve their tax bases, putting a floor under tax competition on corporate income tax. Although it places multilaterally agreed-upon restrictions on it, it does not completely eradicate tax competition.

To continue promoting equitable and sustainable growth, tax policies must be re-evaluated to take into account the structural difficulties that tax systems face (OECD, 2021) in changing the economic and social landscape.

It is important to remember that taxation has purposes other than just collecting money (OECD, 2021). Tax systems can enhance income while also addressing issues such as rising inequality, improved productivity and growth, and rising debt levels as a result of the COVID-19 pandemic (OECD, 2021).

9.3 Redesigning tax systems

In redesigning tax systems after the COVID-19 pandemic, the following key points must be considered:

9.3.1 The interactions between numerous internal and external elements that affect tax systems determine how individual taxes are designed (OECD, 2021).

9.3.2 Tax must be designed by a country's spending priorities. The money must be enough to cover government-identified expenditure priorities (OECD, 2021).

9.3.3 Because people react in a variety of ways, tax policy must be created in a way that supports both the country's more general policy objectives directly and indirectly (OECD, 2021). Rules that have resulted in overcomplication, governance concerns, and poor design should be altered (OECD, 2021).

9.4 IMF'S tax policies to encourage growth

Efficient tax policies must account for equal opportunity, gender and racial equity, intergenerational equity, regional equity, and country equity (OECD, 2021).

The International Monetary Fund recommends the following tax changes to encourage economic growth. The following reforms should be considered:

9.4.1 Personal income tax: labour

(i) Setting an appropriate exemption threshold on income. This method can simplify administration for people with income below the threshold and can be achieved through a general tax deduction, a tax credit or a zero budget. Governments are encouraged not to raise the threshold over the average wage (IMF, 2020, p. 4).

(ii) Using a progressive personal income tax schedule (IMF, 2020, p. 4).

(iii) A flat rate of personal income tax is less progressive than a marginal rate (IMF, 2020, p. 4).

(iv) Carefully choosing the personal income tax rate (IMF, 2020, p. 4).

(v) The income level at which a personal income tax rate will apply is important. Tax policy holders must set a maximum personal income tax rate that is economically reasonable (IMF, 2020, p. 4).

(vi) Refraining from allowing ineffective personal income tax deductions (IMF, 2020, p. 4).

Personal income tax deductions have no effect on the poor households in developing countries with higher personal income tax levels and are therefore not helpful. Personal income tax efficiency can reduce complexity, increase revenue, and improve progressivity (IMF, 2020, p. 4).

9.4.2 Personal income tax: capital

(i) Most countries structure taxes on capital income differently. In many cases, dividends are taxed more heavily than interest and capital gains. Taxing capital income arising from interest, dividends, and capital gains in the most neutral way can minimise tax avoidance and strengthen revenue mobilisation (IMF, 2020, p. 5).

(ii) Capital income tax should not differ significantly from labour income tax to avoid arbitrage (IMF, 2020, p. 5).

(iii) Collecting and using third part information, i.e., banks to reduce the risk of evading capital income tax. Developing countries face challenges when collecting this data and improvement in this area must be considered (IMF, 2020, p. 6).

9.4.3 Corporate income tax

Many countries provided relief by reducing companies' corporate income tax during the course of the COVID-19 pandemic. The result thereof was improved cash flow which supported the survival of illiquid businesses. The corporate income tax can be reformed by setting a reasonable corporate income tax rate, using cost-based rather than profit-based tax incentive, using incentives for research and development in the tax administration and enforcing them, avoiding specific tax breaks for small and medium-sized enterprises (SMEs), designing a special tax for attractive industries, and adopting anti-avoidance measures to protect the corporate income tax from profit shifting by multinationals (IMF, 2020, p. 6).

9.4.4 Taxation of wealth

Increasing tax on wealth can help tax systems recover post-COVID-19. The following measures can be adopted:

(I) Exploiting the current real property taxes in full. The current rates of property taxes were low, and the increase can benefit the government (IMF, 2020, p. 8).

(ii) It is important to consider net wealth taxes where other asset return taxes are not sufficiently active (IMF, 2020, p. 8).

(iii) Impose estate, inheritance, or gift taxes. These taxes can be an effective distributive tool for limiting inequality in taxes (IMF, 2020, p. 8).

9.4.5 Tax on consumption

(I) Value-added tax

VAT can be improved by minimising the use of VAT exemptions, setting an appropriate VAT registration threshold, and putting strict VAT measures on e-commerce by mandating that online sellers register for VAT and that digital platforms collect VAT on their transactions (IMF, 2020, p. 10).

(ii) Excise taxes

Excise taxes can be reformed in the following ways:

- Avoiding higher trade taxes, which can make the collection of excise tax easy (IMF, 2020, p. 12).
- Making better use of environmental taxes such as fuel excises (IMF, 2020, p. 12).
- Using emergency services tax with caution (IMF, 2020, p. 12).

9.5 Tax reforms issued in the BRICS countries post-COVID-19

9.5.1 South Africa

The COVID-19 pandemic slowed economic growth and hindered public finances, which limited the government's ability to provide additional economic support (National Treasury, 2021). Strong and sustainable economic growth is required in the South African economy and tax reforms are therefore necessary (National Treasury, 2021). The tax revenue in 2021 was higher than expected, but these gains were temporary (National Treasury, 2021). The South Africa government does not specify any tax reform measures that were taken after the COVID-19 pandemic, disregarding the fact that a lot of relief measures taken have expired. Tax rates were adjusted, and support was offered to the taxpayers, but what measures are in place to help recover the money used? This question remains unanswered, and this report will give suggestions of how the country can go about reforming taxes, looking at what other countries have been doing and what the IMF suggests.

9.5.2 Brazil

Brazil saw the need to overcome the regressive aspect of its taxation system (Cunha, 2020). The tax reform of consumption taxes introduced by the Ministry of Economy in Brazil was not enough (Cunha, 2020). Consumption taxes needed to consider newer forms of consumption (Cunha, 2020).

9.5.3 Russia

It was highlighted in the IMF's staff country's reports that further reforms to improve the business environment were needed in Russia. The Russian government had to prioritise reducing the state's role in the economy, addressing physical infrastructure loopholes, and implementing business-friendly measures to enhance private-sector competitiveness (IMF, 2020).

9.5.4 India

India's market was less fragile despite the COVID-19 economic shutdown (IMF, 2020), so finances were not too badly affected. India implemented the Goods and Services Tax (GST) as a tax reform strategy to restructure its indirect taxes in an effort to boost economic growth. According to Khan (2022), consolidating all of India's indirect taxes, excise tax, valued-added tax and services tax were the main objective of GST. The GST was effective from July 1, 2017. By enhancing transparency and lowering tax evasion and corruption, it enhanced the nation's taxation system.

A country's tax system has an enormous impact on how well its economy is doing (Khan, 2022). The pros of GST are as follows: it makes Indian products more competitive on the global market, reduces the overall tax burden on goods and services for consumers, and simplifies the taxing procedure for enterprises (Khan, 2022).

9.5.5 China

When the COVID-19 pandemic continued to disrupt China, the Chinese government issued tax relief measures for small enterprises in 2021 to provide financial relief in the face of the burden on the economy caused by the pandemic's prolonged disruption and increased operational costs. Manufacturing, services, technology, as well as low-profit businesses in other areas were all covered (IMF, 2020).

9.6 Increasing the tax base

The International Monetary Fund suggests taxing capital as one of the approaches to broaden the tax base. As noted above, several nations tax capital differently from income (IMF, 2020), and South Africa is one of those nations.

In South Africa, capital in not taxed in full – it is taxed as part of a taxpayer's income upon the disposal of a capital asset. The only way to tax capital in South Africa is if a disposal event takes place and only the gains from that disposal are taxed. Capital gains are taxed at a lower effective tax rate than income of a revenue nature.

According to Thomas Pikkety's book titled '*Capital in the 21st Century', part four on regulating capital in the 21st century* capital encompasses personal assets that are inherited or amassed by individuals through savings and investment of their labour. This includes real estate. (Pikkety, 2012, p. 330)

Thomas Pikkety thought that in order to regulate the dynamics of global capital wealth, a progressive global tax on capital should be developed (Pikkety, 2012, p. 360). This tax is an addition to existing taxes, but it also has the potential to lower existing tax payments and/or lower national debt (Pikkety, 2012, p. 360). This tax is crucial since it informs a government about the country's riches. The fact that international institutions in charge of monitoring and regulating the global financial system have only a general understanding of the distribution of financial assets around the world and the amounts of assets hidden in tax havens backed his theory (Pikkety, 2012, p. 362).

To overcome tax inequalities in a state, there should not be a major difference between capital income tax and labour income tax, so South Africa must consider taxing capital like income. Taxation where there are 'riches' can be a better approach to broaden the tax base in South Africa, especially after the country has dealt with the shock of the COVID-19 pandemic and its impact on the country's finances. In this way the government can make up for lost tax collection and pay its debts so that it can be in a better financial situation and attract investments.

Chapter 10: CONCLUSION

10.1 The effects of COVID-19 on tax collection in South Africa

Tax collection was impeded by changes in taxes made during the COVID-19, especially because there were no means in place to ensure tax collection. Countries must make plans, have a tax reserve, or find a means to stabilise taxes during pandemics in the future if they want to be better prepared. During the COVID-19 pandemic, South Africa did not perform a very good job of keeping taxes stable. This is evident from several problems, including poor service delivery, ongoing load shedding, constant hikes in interest rates after the pandemic, and many others.

The aforementioned being said, it is safe to assume that the measures taken by the South African tax system to combat the COVID-19 pandemic were taken in haste and the finances of the country are constrained (Arndt et al., 2020).

The lockdown measures and inability to raise taxes during the period of the pandemic has raised these negative economic effects (Arndt et al., 2020). The effects of the pandemic on demand for South Africa's exports and the rest of the globe are not as large as they were, but they are still beyond normal. South Africa can consider the actions of members of the BRICS organisation, especially since Brazil managed collect more than normal tax revenues during the pandemic.

While South Africa focused on providing critical support to taxpayers who were most vulnerable to the COVID-19 pandemic, it did not have a back-up plan to recover the money that was spent. South Africa can also look up to measures that the Russian government took to boost tax collection during the pandemic.

Even though the virus required governments to act immediately, the tax authorities of South Africa shouldn't have taken a haste decision and should have acted with caution. Eventually, South Africa can also consider joining big organisations like the OECD that always have plans and advice for member countries.

10.2 Identifying loopholes in tax collection and addressing them

Numerous actions were taken to assist taxpayers. However, there is an imbalance because no actions were taken to raise taxes. The last remaining queries are: who will make up for these lost taxes? What steps are being taken to recoup these lost taxes without discouraging the already-taxed taxpayers? Where can additional tax revenue come from? What legislation is necessary to increase tax collection?

To address the questions above, it may be useful to consider Piketty's proposal of capital taxation. The government must seek for ways to increase tax revenue because there are no clear regulations on capital taxes in South Africa. The COVID-19 pandemic ought to be sufficient justification for the nation to enact wealth taxes. Capital taxes can both lessen inequality and increase revenue. Taxing capital gains as they are earned rather than waiting until an asset is sold is one such concept (Enda & Gale, 2020).

10.3 Opening room for improvement

Even though the main taxes on income, wealth, and consumption are still based on the same fundamental principles, the COVID-19 recovery offers opportunities to rectify long-standing tax system problems and revive taxes in support of a desired transformation (IMF, 2020).

Developing countries should keep enhancing their administrative capabilities to improve the administration of current taxes. Additionally, they may frequently streamline and improve their excises and VAT, effectively defend their income taxes against avoidance and fraud, reduce discretionary tax breaks, improve fiscal regimes for extractive industries, and make greater use of real estate and pollution taxes (IMF, 2020).

For instance, in the post-COVID-19 world, governments will confront an even greater struggle to offer opportunity and support to disadvantaged people and struggling but viable firms while also requesting a higher commitment from those who are doing well. Also, the pandemic is speeding up the economic transformation brought about by digital technology, creating new tax opportunities and problems (IMF, 2020).

Even though the COVID-19 pandemic had a damaging effect on businesses worldwide, there are some sectors that were booming during the pandemic. These include pharmaceutical manufacturers, basic food retailers and other business that were considered to be essential for operation during that time.

Although the members of the BRICS organisation have worked independently to address the pandemic, it can benefit the members if they work together. When faced with tax challenges, they could interact to suggest solutions for each other. The recommendations and suggestions below can be used by the South African tax system in dealing with future pandemics:

10.3.1 Creation of employment by supporting small and medium-sized entities (SMEs).

SMEs play a significant part in economies and employ around 80% of the labour force on the continent in both the formal and informal sectors (Kalidas, Magwentshu & Rajagopaul, 2020).

A measure taken in South Africa to support SMEs was extending the deadline for payment of employees' tax. This measure provided temporary relief for employers but was not very helpful in the long term. South Africa can look for other ways to support SMEs in times of pandemics in addition to what was done in the COVID-19 era. To encourage businesses to create jobs, the Brazilian government helped its SMEs by increasing the credit line and issuing short-term loans at lower interest rates (Orsolon, Advogados & Paulo, 2020). The result of increased employment is increased collection of tax from the labour force, and I therefore perceive this as a good tax measure. Russia aided SMEs by lowering social contribution rates to incomes above the minimum monthly wage by 15% (Tissot & Kabanova, 2020).

10.3.2 Boosting tax collections during the pandemic

While many countries were focused on helping their economies with tax measures that hampered tax collection, the Russian government also used certain measures to boost tax collection. Russia adjusted double tax treaties by removing the tax treaties completely or adjusting the reduced interest and dividends tax. Other tax measures that helped improve Russia's performance were improvements in digitalisation before COVID-19 that allowed Russian society to function regularly amid lockdowns and the creation of jobs in the informal sector.

In emergency situations like COVID-19, the South African economy should consider looking at measures that can create additional tax revenue. There are many treaties and rebates that can used to cover this shortfall in tax collection, and effective planning is necessary. Tax measures that were taken in South Africa lacked balance. The government was mostly focused on helping the stakeholders and not the government itself.

South Africa might perform better by continuously seeking out tax reforms, developing better long-term plans, and managing funds to cover potential future emergencies. In times of pandemics, actions like setting up emergency funds while the nation is in a better situation, creating jobs in the informal sector and terminating treaties can be immensely helpful.

10.3.3 Increasing tax transparency and accountability

It cannot be overlooked that South Africa is a nation with a well-known corruption problem, which makes budgeting challenging. Tax auditors are required to provide reports and evaluate the transparency policies of other nations. The OECD promotes transparency and offers information exchange upon request, automated bank account information interchange, and transparency. For sharing information with tax authorities in other countries in line with an international agreement, tax authorities must have access to data that is ‘foreseeably relevant’ for tax purposes. This is required under the exchange of information on request (OECD, 2021).

Ensuring transparency, good governance and accountability while assessing and disclosing costs is especially important (IMF, 2020). The South African government must be transparent about how money was distributed and spent in order to prevent misuse of income and gain public trust (IMF, 2020). To win over stakeholders and investors, these details must be made available on the SARS website that provides information on how the funds were previously used, how much was saved and how much is needed from donors (IMF, 2020).

10.3.4 Losses carried forward

The South African government restricted the offset of assessed losses carried forward as this method was proven to be effective in other countries (Crowell, 2020). The time period for this limit was set from 1 January 2021 to at least 1 January 2022 (Crowell, 2020). By comparison, the Chinese government permitted businesses which had large losses as a result of the COVID-19 pandemic to carry those losses forward for up to 8 years, from 2020 and the dispensation could last until 2028(Crowell, 2020). The South African government can consider increasing the time period of such measures, especially since they were proved to be effective in other countries (Tito Mboweni, 2020).

10.3.5 Exchanging of information

Tax crimes, money laundering, corruption and other financial crimes have a negative effect on tax collection (OECD, 2021). The automatic exchange of financial information requires financial institutions to provide information about financial accounts to their domestic tax authorities, who subsequently exchange such information annually with their international counterparts (OECD, 2021). It is important for South Africa to consider adopting such measures of exchanging information with other countries that have treaties with South Africa or international organisations (OECD, 2021).

10.4 Areas for future research

Taxing wealth may be a smart way to stabilise the nation's revenue after the COVID-19 pandemic, but it could also encourage tax fraud and financial secrecy. In order to effectively address these situations, tight measures must be put in place, and study must be conducted.

To be able to tax wealth, study must be done on how wealth will be taxed, while also trying to minimise and combat the use of tax havens and tax evasion.

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