

Budget 2025 - What it means for FICA Compliance and Accountable Institutions

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The 2025 Budget Speech held on 12 March 2025, made it clear that financial crime enforcement and compliance are top priorities for the government. Increased funding for forensic investigations, regulatory oversight, and tax compliance monitoring means businesses under FICA (Financial Intelligence Centre Act) must prepare for greater scrutiny and stricter enforcement.

Here's what the budget announcements mean for accountable institutions, including banks, microlenders, legal firms, real estate professionals, and crypto platforms.

- **More resources for financial crime enforcement**

The government has allocated additional funding to strengthen financial forensic investigations and improve the prosecution of complex economic crimes. This includes measures to enhance anti-money laundering (AML) and counter-terrorism financing (CTF) efforts, aligning with Financial Action Task Force (FATF) recommendations.

What this means for Accountable Institutions:

Expect more audits and compliance checks from regulators like the Financial Intelligence Centre (FIC), the South African Reserve Bank (SARB), and the Financial Sector Conduct Authority (FSCA). Failure to meet FICA obligations (such as customer due diligence and suspicious transaction reporting) will likely result in swifter enforcement actions and penalties.

- **SARS targets non-compliant businesses**

The South African Revenue Service (SARS) has identified 156,000 businesses that are unregistered or have not filed tax returns despite significant economic activity. The crackdown on tax non-compliance coincides with financial crime investigations, signaling a tighter grip on regulatory enforcement across multiple agencies.

What this means for Accountable Institutions:

Unregistered businesses that engage in financial transactions, including informal lenders, face severe penalties under increasing regulatory scrutiny. With SARS intensifying tax compliance investigations, FICA compliance data will be cross-referenced to detect financial irregularities, unreported income, and potential money laundering activities. As enforcement efforts ramp up, lenders and financial institutions must ensure their

transaction reporting is accurate, timely, and fully aligned with FICA requirements to avoid fines, reputational damage, or operational restrictions. Lenders and financial institutions must ensure transaction reporting is airtight to avoid regulatory scrutiny.

- **Higher cost of non-compliance**

With more resources dedicated to financial oversight, the cost of failing to comply with FICA will only increase. Currently, non-compliance with FICA carries severe financial penalties, with fines reaching up to R10 million for individuals and R50 million for businesses that fail to meet regulatory obligations. Repeat offenders face business restrictions or even license suspensions, which can severely disrupt operations and erode client trust. In more serious cases, criminal prosecution is a real possibility, with penalties including imprisonment of up to 15 years for those found guilty of facilitating financial crime or failing to report suspicious activities.

What this means for Accountable Institutions:

Regulators are expected to enforce tougher penalties on institutions that do not register with the FIC, fail to implement proper risk controls, or neglect their reporting obligations. With enforcement efforts ramping up, businesses must prioritise compliance now. Implementing real-time transaction monitoring, automated risk assessments, and robust due diligence measures will be critical in avoiding financial penalties, reputational damage, and regulatory action.

- **Proposed VAT increase and its impact on Financial Services and Compliance**

The 2025 Budget Speech announced a VAT increase, with the rate set to rise to 16% by 2026. This decision was made to fund critical government services while avoiding deeper cuts to public spending.

What this means for Accountable Institutions:

The VAT increase will contribute to higher operational costs for businesses offering financial services, including banks, lenders, and credit providers, as they navigate rising compliance expenses alongside taxation. Financial institutions may pass on the additional tax burden to clients, leading to higher costs for compliance-related services such as risk assessments, transaction monitoring, and due diligence. At the same time, SARS is intensifying its scrutiny on VAT compliance and financial reporting, aiming to close revenue gaps and ensure businesses meet their tax and regulatory obligations.

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verification, risk assessment, and transaction monitoring, ensuring seamless adherence to FICA regulations while mitigating financial crime risks.