# BUDGET REVIEW

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February 2022





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# General

- Tax revenue strengthened significantly expected to reach R1.55 trillion for 2021/22.
- R5.2 billion proposed tax relief to help support the economic recovery.
- No increase in either the general fuel levy or the Road Accident Fund levy.
- Progress continues to be made in rebuilding the South African Revenue Service.
- Over the past two years, tax policy has focused on broadening the tax base, improving administration and lowering tax rates.




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# Tax collections

- Tax-revenue growth is reasonably broad-based:
  - corporate income tax receipts from mining account for most of the growth,
  - personal income tax collections and VAT performed above expectations,
  - however, the prices of several key commodities produced by South Africa are expected  to decline over the next two years, reducing expected revenue from mining.

# Tax proposals 2022/23

- Inflationary relief through a 4.5% adjustment in the personal income tax brackets and rebates.
- An expansion of the employment tax incentive, through a 50% increase in the maximum monthly value, to R1500.
- No change to the general fuel levy or the Road Accident Fund (RAF) levy.
- Increases of between 4.5% and 6.5% in excise duties on alcohol and tobacco.

# Increased SARS capacity

- Over the past year, SARS has recruited an additional 490 staff across various levels and skills areas.
- Invested R430 million in refreshing and modernising its ICT infrastructure.
- The dedicated new unit focused on high-wealth individuals is taking shape
  - Increase in taxpayers in top tax bracket by 20 000 from 2021 to 2022 tax years,
  - 31.7 billion increase in taxes collected from top tax bracket.
- SARS has intensified its work to counter criminal and illicit activity. Over R5 billion has been collected through enforcement activities.




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# Increased SARS capacity (continued)

- SARS has initiated a review of all businesses that received payments from national and provincial government over the past five years.
- The ongoing review has revealed a number of cases of non-compliance and enabled SARS  to register businesses that were not previously registered.
- Majority of the Nugent Commission recommendations have been implemented and is now aligning the outstanding recommendations with those of the State Capture Commission.

# Tax policy

- Effective for tax years ending on or after 31 March 2023, the corporate income tax rate is reduced by 1percentage point to 27%.
- South Africa's corporate income tax rate exceeds the Organisation for Economic Co-operation and  Development average of 23%.
- Recognition that tax revenue cannot be generated by increases in VAT or PIT without adverse effects  on economic growth and competitiveness.

# Tax rates

Personal income tax rates and bracket adjustments

| Taxable income (R) | 2021/22 Rates of tax | Taxable income (R) | 2022/23 Rates of tax |
|---|---|---|---|
| R0 – R216 200 | 18% of each R1 | R0 – R226 000 | 18% of each R1 |
| R0 – R216 200 | R38 916 + 26% of the amount above R216 200 | R226 001 – R353 100 | R40 680 + 26% of the amount above R226 000 |
| R0 – R216 200 | R70 532 + 31% of the amount above R337 800 | R353 101 – R488 700 | R73 726 + 31% of the amount above R353 100 |
| R0 – R216 200 | R110 739 + 36% of the amount above R467 500 | R488 701 – R641 400 | R115 762 + 36% of the amount above R488 700 |
| R0 – R216 200 | R163 335 + 39% of the amount above R613 300 | R641 401 – R817 600 | R170 732 + 39% of the amount above R641 400 |
| R0 – R216 200 | R229 089 + 41% of the amount above R782 200 | R817 601 – R1 731 600 | R239 452 + 41% of the amount above R817 600 |
| R0 – R216 200 | R587 593 + 45% of the amount above R1 656 600 | R1 731 601 and above | R614 192 + 45% of the amount above R1 731 600 |

# Tax rebates

## Rebates

| Description | 2021/22 | Description | 2022/23 |
|---|---|---|---|
| Primary | R15 714 | Primary | R16 425 |
| Secondary | R8 613 | Secondary | R9 000 |
| Tertiary | R2 871 | Tertiary | R2 997 |

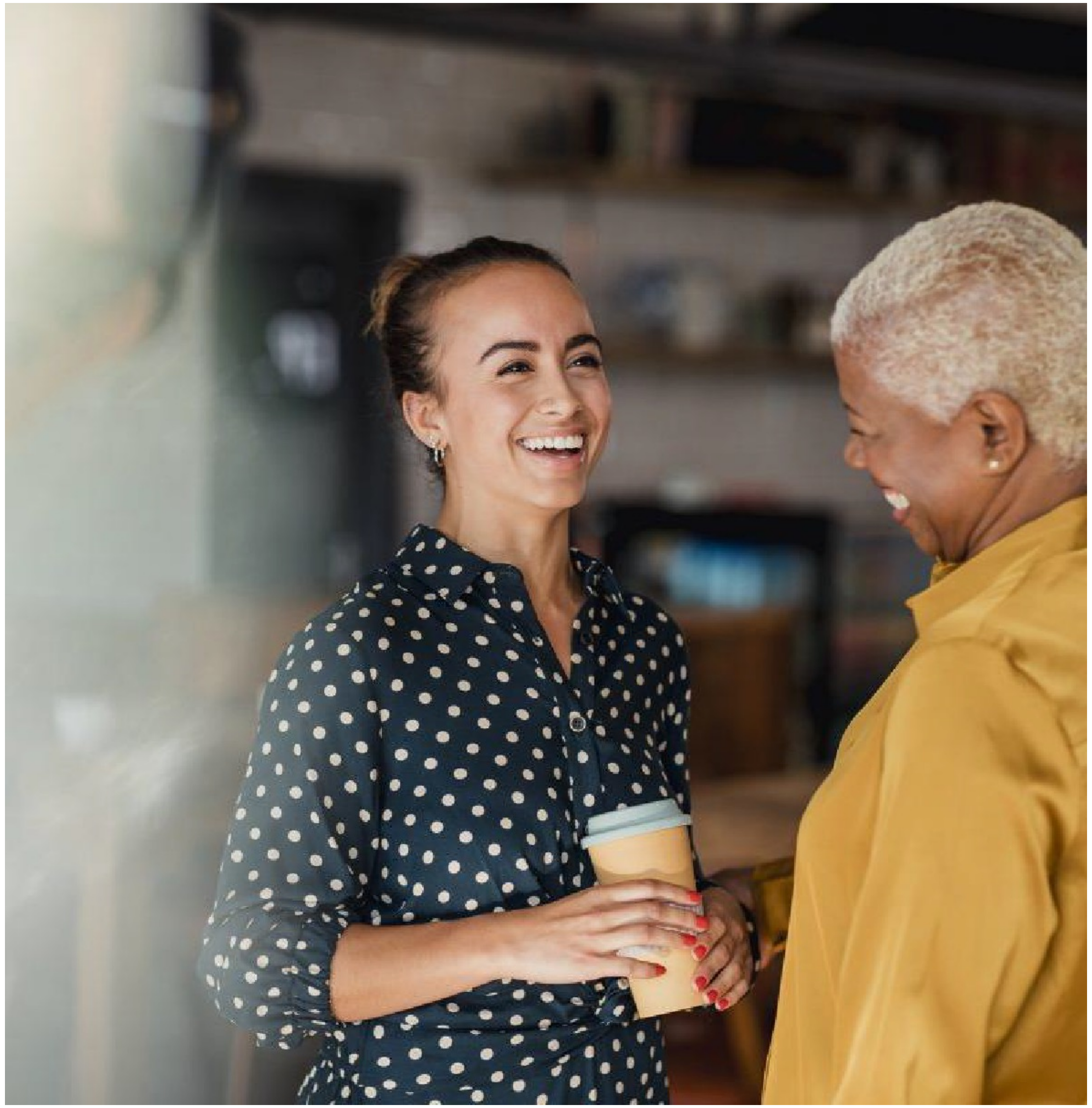
## Tax threshold

| Description | 2021/22 | Description | 2022/23 |
|---|---|---|---|
| Below age 65 | R87 300 | Below age 65 | R91 250 |
| Age 65 and over | R135 150 | Age 65 and over | R141 250 |
| Age 75 and over | R151 100 | Age 75 and over | R157 900 |

- If the personal income tax brackets were not adjusted, revenue would have increased by R13.5 billion.

# Cross-border tax treatment of retirement funds

- Consultation on last year's proposal regarding the tax treatment of retirement interest when changing tax residence showed that multiple tax treaties need to be revised to ensure South Africa retains taxing rights on payments from local retirement funds.
- Government intends to initiate these negotiations this year.



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# Two-pot retirement system

- The discussion paper *"Encouraging South African Households to Save More for Retirement"* was published in December 2021.
- Public comments on the tax treatment of contributions to the two pot system are being reviewed in preparation for public workshops, to be followed by legislative amendments.
- Minister of Finance stated draft legislation will be available for public comment mid 2022.




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# Two-pot retirement system (continued)

- Proposed set of reforms to enable pre-retirement access to a portion of one's retirement assets – while ensuring that the remainder is preserved for retirement.
- The proposal will involve the restructuring of retirement contributions into two pots:
  - The one account can be accessed at any time, and
  - the other account will not be accessible before retirement and must therefore be preserved until retirement.
- It is proposed that one-third of any future contributions should go into the accessible retirement fund account and the other two-thirds goes into an account that must be preserved until retirement.
- No increase in tax deduction for annual contributions and no change in taxation of lump sum tables.




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# Disclosure of wealth

- Provisional taxpayers with business interests are required to declare their assets (based on their cost) and liabilities in their tax returns each year.
- To assist with the detection of non-compliance or fraud through the existence of unexplained wealth, it is proposed that all provisional taxpayers with assets above R50 million be required to declare specified assets and liabilities at market values in their 2023 tax returns.
- The additional information will also help in determining the levels and structure of wealth holdings as recommended by the Davis Tax Committee.
- Viability of a wealth tax?

# Employment Tax Incentive (ETI)

- To encourage businesses to employ young people, proposed increase of 50% in the value of the employment tax incentive, effective 1 March 2022.
- The incentive will increase:
  - From a maximum of R1 000 to a maximum of R1 500 per month in the first 12 months, and
  - From R500 to a maximum of R750 in the second 12 months of eligibility.
- Understatement penalties levied on over-claiming ETI.




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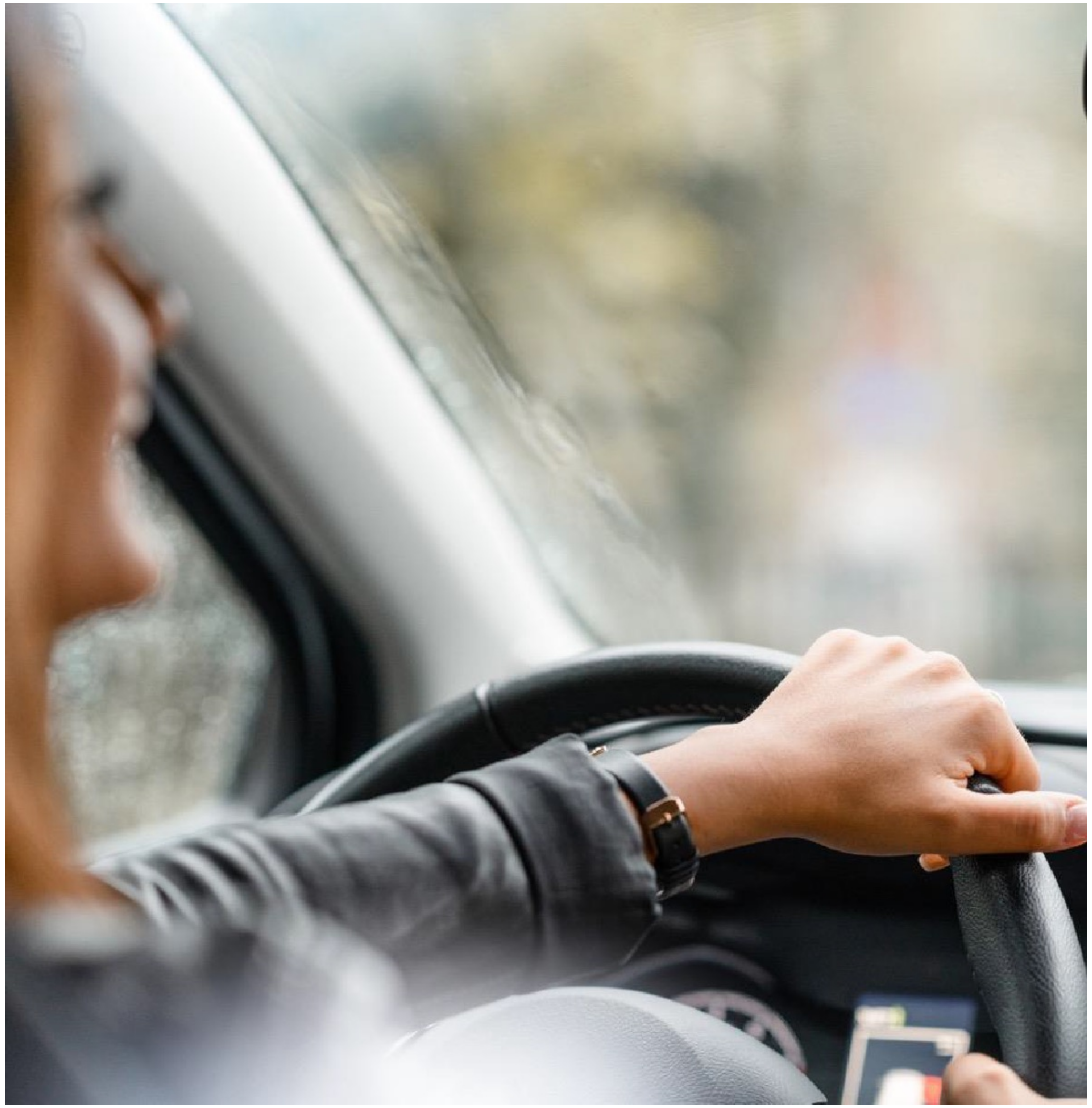
# Tax research and reviews

- A discussion document will be published in 2022 on a personal income tax regime for remote work.
- Research and development incentive being reviewed to incentivise creation and maintenance of IP in South Africa.
- A review of the exemption of foreign retirement tax benefits in domestic legislation will be conducted.
- A review of depreciation and investment allowances will take place during 2022/23, followed by the release of a discussion document.

# Cessation of residence

- When an individual ceases to be a South African tax resident, their year of assessment is deemed to have ended on the date immediately before the day their tax residency ceased.
- The individual's next succeeding year of assessment will start on the day on which tax residency is ceased.
- As a result, the individual has two years of assessment during the 12-month period, which means the individual may be able to double-up on certain exemptions or exclusions that are allowed per year of assessment.
- To address this anomaly, the legislation will be changed to apportion the interest exemption (R23 800 / R34 500) and capital gains annual exclusion (R40 000).



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# Retirement provisions

*Reviewing the transfer of total interest in a retirement annuity fund*

- The ITA allows members of retirement funds to transfer their retirement interest from one retirement fund to another.
- This provision is subject to certain conditions.
- These conditions result in retirement annuity fund members with more than one contract in a particular fund being restricted from transferring one or more contracts from one retirement annuity fund to another.
- To address this anomaly, government proposes changing the legislation to allow fund members to transfer one or more contracts in a particular retirement annuity fund, subject to certain conditions to ensure that the current minimum thresholds are not contravened.




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# Tax treatment of amounts received by or accrued to portfolios of collective investment schemes

- Concern that profits arising from frequent trading by collective investment schemes should be treated as income rather than capital.

- Over the past two years, further concerns have been raised.

- Government proposes that a discussion document dealing with the tax treatment of amounts received by or accrued to portfolios of collective Investment schemes Be published for public comment before any amendments are proposed to the Tax legislation.

# Exchange Control

- Resident individuals may receive and retain donations from non-residents.
- Previously resident individuals had to
  - Convert foreign donation to Rands within 30 days, or
  - Request permission from SARB to retain foreign donation offshore.
- Once SARB documentation updated the donation can be retained offshore, no permission from SARB required, subject to disclosure in annual individual return.




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# Exchange Control

- Institutional investors
  - The offshore limit for all insurance, retirement and savings funds is harmonised at 45%.
    - Inclusive of the 10% African allowance.
  - Previously the allowances limit was 30% offshore and 10% African.

# Sin taxes

SIN TAX 2022
BEER
R0.11
per 340ml can
WINE
R0.17
per 750ml bottle
SPIRITS
R4.83
per bottle
CIGARS
R6.77
per 23g
VAPES
R2.90
per millilitre (from 1 January 2023)
CIDER
R0.11
per 340ml can
WINE (sparking)
R0.76
per bottle
CIGARETTES
R1.03
per pack
PIPED TOBACCO
R0.37
per 25g
SUGAR
SUGAR
R0.37
per 25g

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