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BUDGET SPEECH 2022/23 TAX YEAR

In case you missed it…

1. January 2022: Recent Papers issued by National Treasury

1. INDIVIDUALS

The maximum marginal rate for natural persons remains at 45% and is reached when taxable income exceeds R1 731 600 (previously R1 656 601).

The minimum rate of tax remains at 18% on taxable income not exceeding R226 000 (previously R216 200).

The primary rebate for all natural persons has been increased to R16 425 (previously R15 714). The additional rebate for persons aged 65 years and older is increased to R9 000 (previously R8 613). Persons aged 75 and older are granted a further R2 997 (previously R2 871).

The tax-free portion of interest income remains at R23 800 for taxpayers under 65 years, and R34 500 for persons aged 65 years and older. In addition the tax-free savings dispensation for other investments, including collective investment schemes remains at R36 000 per tax year.

Local dividends tax remains at a flat 20% rate which was effective 22 February 2017.

Foreign dividends also remain effectively taxed at a flat rate of 20%, but this may be reduced in terms of Double Tax Treaties.

A final withholding tax on interest from a RSA source to a non-resident remains at 15%.

An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income –

- Will not exceed the tax threshold (see 4 below) for the tax year, or
- From interest, foreign dividends and rental will be R30 000 or less for the tax year.

The Section 10(1)(o)(ii) exemption for foreign employment income of tax residents remains at R1,25 million effective 1 March 2020.

2. COMPANIES AND CLOSE CORPORATIONS

The rate of normal tax remains at 28%. (This is to be reduced to 27% for tax years commencing 1 April 2022).

The final withholding dividends tax remains at a flat rate of 20%.

Tax-exempt bodies (e.g. Retirement Funds) will suffer no withholding tax upon production of a tax-exemption certificate.

3. TRUSTS

The flat rate remains at 45%, although distributions in the same tax year are taxed instead in the beneficiaries' hands.

4. INDIVIDUAL TAX THRESHOLDS

Liability for tax is as follows:

Under 65 years:	R91 250	(previously R 87 300)
65 to 74 years:	R141 250	(previously R135 150)
75 years and older:	R157 900	(previously R151 100)

Taxable income (R)	Rates of tax
0 – 226 000	18% of taxable income
226 001 – 353 100	R40 680 + 26% of taxable income above R226 000
353 101 – 488 700	R73 726 + 31% of taxable income above R353 100
488 701 – 641 400	R115 762 + 36% of taxable income above R 488 700
641 401 – 817 600	R170 734 + 39% of taxable income above R641 400
817 601 – 1 731 600	R239 452 + 41% of taxable income above R817 600
1 731 601 and above	R614 192 + 45% of taxable income above R1 731 600

TRUSTS OTHER THAN SPECIAL TRUSTS – RATE OF TAX – 45%
TAX REBATES:

PRIMARY	R16 425	(previously R14 958)
SECONDARY (AGE 65 AND OVER)	R 9 000	(previously R8 199)
PLUS AGE 75 AND OVER	R 2 997	(previously R2 736)

5. ESTATE DUTY AND DONATIONS TAX

The rate of estate duty and donations tax remains at 20% for dutiable estate amounts of R30 million or less and increases to 25% for dutiable estate amounts over R30 million.

The estate duty abatement (exempt threshold) remains at R3,5 million per person and a surviving spouse may also benefit automatically from any unused deduction in the first-dying spouse's estate. i.e. The abatement remains a combined maximum R7 million for the second-dying spouse.

There is a similar treatment of Donations Tax namely 20% for donations of R30 million or less, which increases to 25% for donations over R30 million.

The first R100 000 of amounts donated in each tax year by a natural person remains exempt from donations tax. Donations between spouses are fully exempt.

6. CAPITAL GAINS TAX (CGT)

- The annual capital gain exclusion for individuals remains at R40 000.
- The primary residence exclusion from capital gains tax remains at R2 million.
- The capital gain exclusion at death remains at R300 000.
- The effective rate of CGT is the range of 7.2% to 18% for individuals, 22,4% (reducing to 21,6% for tax years commencing 1 April 2022) for companies and 36% for Trusts, although correctly structured Trusts can result in the individual rate being applicable.

7. TRANSFER DUTY

The rates remain, i.e. property costing less than R1 000 000 will attract no duty. A 3 percent rate applies between R1 000 000 and R1,375 million, 6 per cent between R1,375 million and R1,925 million, 8 percent between R1,925 million and R2,475 million, 11 percent between R2,475 million and R11 million and 13 percent thereafter.

8. RETIREMENT FUNDS (The tables remain as before)

Retirement Fund Lump Sum Withdrawal Benefits

Taxable Income	Rates of Tax
0 – 25 000	0% of taxable income
25 001 – 660 000	18% of taxable income above 25 000
660 001 – 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

Retirement Fund Lump Sum Retirement Benefits or Severance benefits

Taxable Income	Rates of Tax
0 – 500 000	0% of taxable income
500 001 – 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

- Tax Harmonisation of Retirement Fund Contributions

  As from 1 March 2016 all retirement funds (pension, provident and retirement annuity funds) are treated similarly for tax contribution purposes.

  The tax deduction formula of 27,5% per annum (with a cap of R350 000) of the greater of taxable income and remuneration applies to members of all retirement funds, including provident funds.

- Annuitisation

  It is worth remembering that all retirement funds require a compulsory annuity purchase on retirement, with two-thirds of such fund benefits. However, this is subject to the so-called vested benefits related to membership of a provident fund or provident preservation fund prior to 1 March 2021 or all of such benefit where a member of a provident fund or provident preservation fund was fifty-five or older on 1 March 2021. The threshold below which a full fund benefit from a pension fund or retirement annuity fund is allowed to be commuted is R247 500.

  A technical amendment has been made to the Income Tax Act regarding compulsory annuitisation. This is intended to clarify the protection of vested rights when transferring to a public sector fund. The annuitisation amendments to the Income Tax Act which include protection of vested rights arising from membership of provident funds and provident preservation funds were not extended to protecting these rights on transfer to a public-sector fund. To address this anomaly there is a proposal to amend the definitions of pension and provident fund in the Income Tax Act to ensure that historical vested rights remain protected even if they are transferred to a public-sector fund.

- Social Assistance

  National Treasury is reviewing all of government's various grants and support from community work programmes to the monthly R350 relief of social distress grant that's been extended for another 12-months to March 2023.
  "Higher economic growth, [that] can support long-term improvements in revenue collection, [will] affect any proposal to fund permanent additions to public expenditure [and] require careful scrutiny," said the

Budget Review in a clear reference to the vocal call from civil society for a Basic Income Grant (BIG), or income support for all those aged 18 to 59.

- Infrastructure Investments

  Regulation 28 changes enabling investment in infrastructure are to be gazetted next month. This should not concern funds with portfolios that have been systematically increasing their exposure to these assets where value presented itself.

- Emergency Access to Retirement Savings

  The "Two-Pot" system that will allow employees to access part of their retirement fund whilst still employed (or a Retirement Annuity before age 55) is going ahead (refer to Seshego Insights for commentary on the proposed "Two-pot" system). Enabling legislation is intended to be implemented later this year, but access will depend on the Board of Trustees of each individual fund. This puts companies and fund trustees in a difficult position as many member enquiries are expected. There are a number of technical issues that need to be resolved with both the Regulator and fund administrators before retirement funds can practically consider making the "Access Pot" available to fund members. For policy makers, such as National Treasury, this is likely to be more about achieving compulsory preservation than providing emergency relief (which is what COSATU tried to negotiate with the Regulators during the period of COVID related pay decreases experienced during 2020).

- Investments offshore

  Retirement funds may invest up to 45% of their investments offshore, which is inclusive of the 10% allowed for investments into Africa.

9. MEDICAL EXPENSES

- Taxpayers may in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R347 for each of the taxpayer and the first dependant on the medical scheme and R234 for each additional dependant.

- An individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year.

- Any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

10. VAT

The rate remains at 15%. The compulsory VAT registration threshold remains at R1 million turnover per twelve month period.

11. FOREIGN EXCHANGE

The offshore investment allowance remains at R10 million per adult person per calendar year. In addition, the R1 million individual single discretionary allowance remains.

12. VOLUNTARY DISCLOSURE PROGRAM

Taxpayers who have undisclosed income whether local or foreign, may avail themselves of the permanent normal SARS Voluntary Disclosure Program (VDP) contained in the Tax Administration Act, in order to mitigate penalties.

As regards unauthorised foreign assets, a person may approach the SA Reserve Bank (SARB) for post SVDP regularisation and each case is considered on its own merits.

13. CONDUCT OF FINANCIAL INSTITUTIONS BILL (“COFI”)

National Treasury has advised that it has revised the COFI Bill based on feedback from stakeholders. The bill is expected to be tabled in Parliament in early 2022. The purpose of this legislation is to empower the Financial Sector Conduct Authority to deliver the mandate set out in the Financial Sector Regulation Act, which includes the fair treatment of customers and the integrity of the financial system (refer to Seshego Insights, Edition 1 of 2021 for further details of the COFI bill).