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SESHEGO INSIGHTS EDITION 1 OF 2024: BUDGET SPEECH 2024/2025 TAX YEAR

There will be no relief for Personal Income Taxpayers (PIT) in the 2024/25 tax year, as the Minister of Finance is proposing not to adjust the PIT table or the tax rebates to account for inflation. The non-adjustment of the rates means taxpayers who receive salary increases will encounter "bracket creep" i.e. a higher taxable income will bump them into a tax bracket with a higher rate of tax.

National Treasury wants to raise R15 billion in 2024/25 "to alleviate immediate fiscal pressure and support faster debt stabilisation". Treasury will raise R16.3bn by not adjusting the PIT rates and rebates and R1.9bn by not adjusting the medical tax credits. It will forfeit R4bn in revenue by not increasing the fuel levies.

1. INDIVIDUALS

There are no changes to the rates of tax and rebates. The maximum marginal rate for natural persons remains at 45% and is reached when taxable income exceeds R1 817 001.

The minimum rate of tax remains at 18% on taxable income not exceeding R237 100.

The primary rebate for all natural persons remains at R17 235. The additional rebate for persons aged 65 years and older remains at R9 444. Persons aged 75 and older are granted a further R3 145 as before.

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 approved 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%, subject to Double Tax Treaties.

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 is 27%. (This was reduced from 28% to 27% for tax years commencing 1 April 2022, or put another way, ending on or after 31 March 2023.

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

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

3.TRUSTS

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

4.INDIVIDUAL TAX THRESHOLDS

Liability for tax is as follows:

Under 65 years:	R 95 750
65 to 74 years:	R148 217
75 years and older:	R165 689

INCOME TAX: INDIVIDUALS AND SPECIAL TRUSTS

Taxable Income (R)	Rates of Tax
0 – 237 100	18% of taxable income
237 101 – 370 500	R 42 678 + 26% of taxable income above R 237 100
370 501 – 512 800	R 77 362 + 31% of taxable income above R 370 500
512 801 – 673 000	R 121 475 + 36% of taxable income above R 512 800
673 001 – 857 900	R 179 147 + 39% of taxable income above R 673 000
857 901 – 1 817 000	R 251 258 + 41% of taxable income above R 857 900
1 817 001 and above	R 644 489 + 45% of taxable income above 1 817 000

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

Primary:	R 17 235
Secondary (Age 65 and over):	R 9 444
Plus age 75 and over:	R 3 145

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, being the cumulative value of all donations on or after 1 March 2018.

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, 21,6% for companies and 36% for Trusts, although correctly structured Trusts can result in the lower individual beneficiary rate being applicable.

7.TRANSFER DUTY

The rates are revised, i.e. property costing less than R1,100 000 will attract no duty. A 3 percent rate applies between R1,100 001 and R1,512,500, 6 per cent between R1,512 501 and R2,117,500, 8 percent between R2,117,501 and R2,722,500, 11 percent between R2,722,501 and R12,1 million and 13 percent thereafter.

8.RETIREMENT FUNDS (the tables remain unchanged) Retirement Fund

RETIREMENT FUND LUMP SUM WITHDRAWAL BENEFITS

Taxable Income		Rates of Tax
0 – 27 500	0% of taxable income	0% of taxable income
27 501 – 726 000	18% of taxable income above 27500	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000	223 740 + 36% of taxable income above 1 089 000

RETIREMENT FUND LUMP SUM RETIREMENT BENEFITS OR SEVERANCE BENEFITS

Taxable Income (R)	Rates of Tax
0 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 +36% of taxable income above 1 155 000

- Tax Harmonisation of Retirement Fund Contribution

  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

  Pension and Retirement Annuity (RA) Funds require a compulsory annuity purchase upon retirement with two-thirds of such Fund benefits value while Provident Fund benefits value as at 1 March 2021, may be commuted in full, after which the annuitisation principle also applies to such subsequent contributions and growth thereon. The threshold below which a full fund benefit from a Pension, Provident or RA is allowed to be commuted is R247 500.

- <u>"Two-Pot" Retirement System</u>

  From 1 September 2024, contributions to retirement funds will be split, with one-third going into a "savings component" and two-thirds going into a "retirement component". Contributions remain tax deductible and tax free while growing in the fund.

  Retirement fund members will be able to withdraw amounts from the savings component before retirement, while the retirement component will remain preserved until retirement.

  Savings accumulated up to the date of implementation will not be affected, except for the initial seed capital amount. This amount will be the lower of 10 per cent of the member's share in the fund on 31 August 2024 or R30 000 and will be transferred from accumulated retirement savings to the savings component to assist fund members who may prefer an immediate withdrawal due to a financial emergency.

  This seeding will be a once-off event. If not used, it will still be available in the future.

  Pre-retirement withdrawals from the savings component will be taxed at marginal rates, like all other income. However, when taxable income is lower, taxpayers will be taxed at lower rates.

  Only one withdrawal may take place in a tax year, and the minimum withdrawal amount is R2 000. The optimal option is still to preserve retirement savings as long as possible, as the amounts grow at compound rates and can attract lower tax rates.

  Amounts left in the savings component on retirement can be withdrawn and will be taxed according to the retirement lump sum table, which includes a tax-free lump sum of R550 000.

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 R364 for each of the taxpayer and the first dependant on the medical scheme and R246 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 regularisation and each case is considered on its own merits.

Should you have any questions regarding the above, please contact your consultant to assist you.