EVERSHEDS SUTHERLAND

Helping you see the financial picture

2022 Budget Speech

23 February 2022

Highlights

- Tax revenue collections for 2021/22 are expected to exceed the 2021 Budget estimate by R181.9 billion.
- Over R5 billion has been collected through enforcement activities.
- Effective for tax years ending on or after 31 March 2023, the corporate income tax rate is reduced by 1 percentage point to 27 per cent.
- Inflationary relief through a 4.5 per cent 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 R1 500.
- No change to the general fuel levy or the Road Accident Fund levy.
- In line with inflation, from 1 April 2022, the plastic bag levy will increase from 25c/bag to 28c/bag.
- The carbon tax rate increased from R134 to R144, effective from 1 January 2022.
- Increases of between 4.5 and 6.5 per cent in excise duties on alcohol and tobacco.

Taking Stock

- The introduction of a new fiscal anchor – a method to ensure that government maintains expenditure within agreed limits – will help secure a sustainable fiscal position for the long-term.
- Over the past year, SARS has recruited an additional 490 staff and has invested R430 million in modernising its ICT infrastructure.
- The dedicated new unit focused on high-wealth individuals is taking shape.
- Over R5 billion has been collected through enforcement activities.
- The budget deficit is now expected to reach 5.7 per cent of GDP in 2021/22, compared with 7.8 per cent estimated at the time of the MTBPS.
- The 2022 Budget provides R5.2 billion in tax relief to support households and the economy by not adjusting the general fuel levy and the Road Accident Fund levy, while fully adjusting the personal income tax brackets and rebates for inflation.
- 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.

Taking Stock

- 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.
- Effective from 1 March 2022, the ETI 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.
- Companies with an assessed loss balance that matches or exceeds their current-year taxable income will need to pay tax on 20 per cent of their taxable income. Smaller companies more likely to struggle with cash flow will be exempt from the proposed changes.
- Expiry of the following corporate tax incentives
  - Section 12DA (rolling stock) on 28 February 2022
  - Section 12F (airport and port assets) on 28 February 2022
  - Section 12O (films), which lapsed on 31 December 2021
  - Section 13sept (sale of low-cost residential units through an interest free loan) on 28 February 2022.

Monetary Amendments

Changes	Was	Now
Value Added Tax	15%	15%
Top Marginal Pit Rate	45%	45%
Dividends Tax	20%	20%
Transfer Duty Threshold	R1 000 000	R1 000 000
Primary Rebate	R15 714	R16 425
CGT Annual Exclusion	R40 000	R40 000
Top Income Tax Threshold	R1 656 601	R1 731 601
Tax Exemption For SA Residents		
Working Abroad	R1 250 000	R1 250 000

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