

TIME TO REBUILD

BUDGET TAX OUTCOMES 2020/2021



MARGINAL TAX RATES

Maximum rate to remain unchanged. Above-inflationary relief for bracket creep.



ESTATE DUTY & DONATIONS TAX

To remain unchanged.



TRANSFER DUTY

Inflationary-adjusted brackets, minimum value increased to R1m.



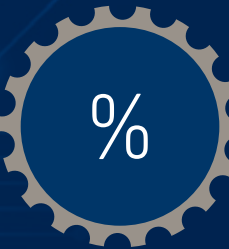
CORPORATE INCOME TAX

To remain unchanged. Dividend Withholding Tax to remain unchanged.



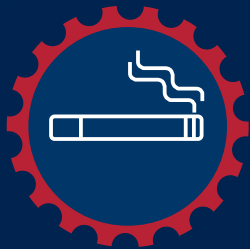
CAPITAL GAINS TAX

To remain unchanged.



VALUE ADDED TAX

To remain unchanged.



SIN TAX

Increased by between 4.4% and 7.5% on alcohol and tobacco products.



FUEL LEVY

Increased by 25c/litre.

HOW THIS HITS MY POCKET

BUDGET HIGHLIGHTS 2020/2021

RATES OF TAX FOR INDIVIDUALS		RATES OF TAX FOR INDIVIDUALS	
2019/2020	2020/2021	2019/2020	2020/2021
Taxable income (R)	Rates of tax (R)	Taxable income (R)	Rates of tax (R)
1 – 195 850	18% of taxable income	1 – 205 900	18% of taxable income
195 851 – 305 850	35 253 + 26% of taxable income above 195 850	205 901 – 321 600	37 062 + 26% of taxable income above 205 900
305 851 – 423 300	63 853 + 31% of taxable income above 305 850	321 601 – 445 100	67 144 + 31% of taxable income above 321 600
423 301 – 555 600	100 263 + 36% of taxable income above 423 300	445 101 – 584 200	105 429 + 36% of taxable income above 445 100
555 601 – 708 310	147 891 + 39% of taxable income above 555 600	584 201 – 744 800	155 505 + 39% of taxable income above 584 200
708 311 – 1 500 000	207 448 + 41% of taxable income above 708 310	744 801 – 1 577 300	218 139 + 41% of taxable income above 744 800
1 500 001 and above	532 041 + 45% of taxable income above 1 500 000	1 577 301 and above	559 464 + 45% of taxable income above 1 577 300

MEDICAL TAX CREDIT RATES (PER MONTH)	2019/2020	2020/2021
For the taxpayer; or for a member or dependant of a medical scheme or fund where the taxpayer him- or herself is not a member of a medical scheme or fund	R310	R319
For the taxpayer and one dependant; or in respect of two dependants where the taxpayer him- or herself is not a member of a medical scheme or fund	R620	R638
For each additional dependant(s)	R209	R215

FUEL LEVY	2019/2020	2020/2021
General levy	R3.54 p/l petrol; R3.39 p/l diesel (increased 15c p/l for each)	R3.70 p/l petrol; R3.55 p/l diesel (increased 16c p/l for each)
RAF levy	R1.98 p/l for petrol and diesel (increased 5c p/l for each)	R2.07 p/l for petrol and diesel (increased 9c p/l for each)
Carbon levy	7c p/l on petrol, 8c p/l on diesel (new levy in 2019)	Unchanged at 7c p/l on petrol, 8c p/l on diesel

SIN TAXES	2019/2020	2020/2021
Beer	Increased by 12c per 340ml can	Increased by 8c per 340ml can
Wines	Increased by between 29c and R1.12 per litre	Increased by between 19c and 81c per litre
Spirits	Increased by R4.54 per 750ml bottle	Increased by R2.89 per 750ml bottle
Cigarettes	Increased by R1.14 per pack of 20	Increased by 74c per pack of 20

REBATES: NATURAL PERSONS	2019/2020	2020/2021
Primary	R14 220	R14 958
Secondary (Persons 65 and older)	R7 794	R8 199
Tertiary (Persons 75 and older)	R2 601	R2 736

INTEREST EXEMPTION	2019/2020	2020/2021
Person younger than 65	R23 800	R23 800
Person 65 and older	R34 500	R34 500

FOREIGN EMPLOYMENT INCOME EXEMPTION
Increased to R1.25m (effective 1 Mar 2020)

BALANCING THE BUDGET

TAX REVENUE 2020/2021

Personal income tax	R546.8 bn
VAT	R360.6 bn
Corporate income tax	R230.2 bn
Customs and excise duties	R112.7 bn
Other	R91.8 bn
Fuel levies	R83.4 bn
TOTAL	R1 425.5 bn

CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION

R billion	2019/20	2020/21	2021/22	2022/23	2019/20 – 2022/23
	Revised estimate	Medium-term estimates			Average annual growth
Learning and culture	385.6	396.4	417.8	434.2	4.0%
Health	222.0	229.7	244.0	257.6	5.1%
Social development	284.5	309.5	320.1	340.9	6.2%
Community development	201.7	212.3	228.2	242.2	6.3%
Economic development	198.9	211.5	228.2	240.9	6.6%
Peace and security	214.4	217.0	221.3	228.8	2.2%
General public services	66.3	70.0	73.2	74.1	3.7%
Payments for financial assets	65.2	73.6	44.1	27.3	
Allocated expenditure	1 638.5	1 720.2	1 776.9	1 845.9	4.1%
Debt-service costs	205.0	229.3	258.5	290.1	12.3%
Contingency reserve	–	5.0	5.0	5.0	
Consolidated expenditure	1 843.5	1 954.4	2 040.3	2 141.0	5.1%

BUDGET HIGHLIGHTS 2020/2021

SMALL BUSINESS CORPORATIONS

Year ending between 1 April 2020 and 31 March 2021

R0 – R83 100	0% of taxable income
R83 101 – R365 000	7% of taxable income above R83 100
R365 001 – R550 000	R19 733 + 21% of taxable income above R365 000
R550 001 and above	R58 583 + 28% of the amount above R550 000

GRANTS

	2019/2020	2020/2021
Old age and disability	R1 780 p/month	R1 860 p/month
Child support	R425 p/month	R445 p/month



MAZARS

BUDGET HIGHLIGHTS 2020/2021

Minister Tito Mboweni walked the tightrope in delivering his Budget Speech 26 February 2020.

In an effort to preserve the last remaining investment grade status, he had to demonstrate to the ratings agencies that South Africa was applying appropriate measures of fiscal discipline in cutting expenditure and limiting the amounts allocated to underperforming SOEs, whilst not overburdening South Africans with taxes.

Personal income taxpayers received a measure of welcome relief when the Minister announced that the **personal income tax brackets and the rebates (primary secondary and tertiary) would increase by 5.2% for the 2020/21 tax year.** The bulk of this relief accrues to taxpayers earning up to R750 000.

Although there had been much speculation ahead of the Budget, **no VAT increase** materialised. This is welcomed, given the need to stimulate the economy and promote growth.

Whilst the SA **corporate tax rate remains unchanged at 28%**, the Budget Review acknowledged that South Africa's relative competitiveness internationally has lagged over the last several years due to rates in other countries such as UK, India and USA falling. Accordingly, in an effort to promote economic growth, government intends, over the medium term, to restructure the corporate income tax system by broadening the base and reducing the rate.

The base broadening proposals will involve minimising tax incentives, and introducing **new interest deduction and assessed loss limitations.** The intention is to implement rate reductions in a revenue-neutral manner:

- Effective years of assessment commencing on or after 1 January 2021, the offset of assessed losses carried forward will be limited to 80% of taxable income.
- Government proposes to restrict net interest expense deductions to 30% of earnings for years of assessment commencing on or after 1 January 2021.

The benefit of **tax incentives is under discussion.** Sunset clauses for a number of incentives are to be introduced, while others will be under review.

Exchange controls are to undergo further reforms. Over the next 12 months, a new capital flow management system will be put in place. All foreign-currency transactions will be allowed, except for a risk-based list of capital flow measures.

This change will increase transparency, reduce burdensome and unnecessary administrative approvals, and promote certainty. The capital flow measures take account of the Organisation for Economic Co-operation and Development best-practice Code of Liberalisation of Capital Movements and are aligned with similar approaches in other developing countries.

The **annual limit for contributions to tax-free savings account will be increased to R36 000** - a measure intended to increase savings.

In an effort to help fund the rollout of national health insurance, the **increases in medical tax credits** continue to be implemented below the rate of inflation.

Some of the indirect tax changes include:

- **Increasing the fuel levy by 25c/litre**, consisting of a 16c/litre increase in the general fuel levy and a 9c/litre increase in the RAF levy;
- **Increasing excise duties on alcohol and tobacco by between 4.4 and 7.5 per cent;**
- Heated tobacco products will be subject to excise duties with immediate effect; and
- Government intends to **tax electronic cigarettes in 2021.**

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