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2022/23 BUDGET TAX GUIDE



This tax pocket guide provides a synopsis of the most significant tax, duty and levy-related information for 2022/23.



INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates from 1 March 2022 to 28 February 2023:

Individuals and special trusts

Taxable Income (R)	Rate of Tax (R)
1 – 226 000	18% of taxable income
226 001 – 353 100	40 680 + 26% of taxable income above 226 000
353 101 – 488 700	73 726 + 31% of taxable income above 353 100
488 701 – 641 400	115 762 + 36% of taxable income above 488 700
641 401 – 817 600	170 734 + 39% of taxable income above 641 400
817 601 – 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600

Trusts other than special trusts: rate of tax 45%

Rebates

Primary R16 425

Secondary (Persons 65 and older) R9 000

Tertiary (Persons 75 and older) R2 997

Age

Below age 65

Age 65 to below 75

Age 75 and over

Tax Threshold

R91 250

R141 250

R157 900

Provisional Tax



A provisional taxpayer is any person who earns income by way of remuneration from an unregistered employer or income that is not remuneration, or an allowance or advance payable by the person's principal. An individual is not required to pay provisional tax if he or she does not carry on any business, and the individual's taxable income:

- Will not exceed the tax threshold for the tax year; or
- from interest, dividends, foreign dividends, rental from the letting of fixed property, and remuneration from an unregistered employer will be R30 000 or less for the tax year.

Provisional tax returns showing an estimation of total taxable income for the year of assessment are required from provisional taxpayers.

Deceased estates are not provisional taxpayers.

Retirement fund lump sum withdrawal benefits

Taxable income (R)	Rate of tax (R)
1 – 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 withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including an assignment in terms of a divorce order).



Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to:

- The tax is determined by the application of the tax table to the aggregate of lump sum X, plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007, and all benefits accruing from March 2011; less
- The tax is determined by the application of the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009, all retirement fund lump sum benefits accruing from October 2007, and all severance benefits accruing from March 2011.





Retirement fund lump sum benefits or severance benefits

Taxable income (R)	Rate of tax (R)
1 – 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

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of the employer's trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (lump sum or severance benefit Y) is equal to:

- The tax is determined by the application of the tax table to the aggregate of amount Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less
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- The tax is determined by the application of the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit Y from March 2011.



Dividends

- Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax, at a rate of 20%, is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from REITs (listed and regulated property owning companies) are subject to income tax, and non-residents in receipt of those dividends are only subject to dividends tax.

Foreign Dividends

- Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Interest exemptions

- Interest from a South African source, earned by any natural person under 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from income tax.
- Interest earned by non-residents, who are physically absent from South Africa for at least 182 days during the 12 month period, before the interest accrues and the interest-bearing debt is not effectively connected to a fixed place of business in South Africa, is exempt from income tax.



Deductions

Retirement fund contributions

- Amounts contributed to pension, provident and retirement annuity funds during a year of assessment are deductible by members of those funds. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employees. The deduction is limited to 27.5% of the greater of the amount of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sums and severance benefits). The deduction is further limited to the lower of R350 000 or 27.5% of taxable income before the inclusion of a taxable capital gain. Any contributions exceeding the limitations are carried forward to the immediately following year of assessment and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sums and retirement annuities.

Medical and disability expenses

In determining tax payable, individuals are allowed to deduct:

- Monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) by the individual who paid the contributions up to R347 for each of the first two persons covered by those medical schemes, and R234 for each additional dependant; and



- In the case of:
 - an individual who is 65 years and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed three times the medical scheme fees tax credits for the tax year; or
 - any other individual, 25% of an amount equal to the sum of the qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed four 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).

Donations

- Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

Allowances

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business, and the accommodation to which that allowance or advance relates is in the Republic of South Africa, and the allowance or advance is granted to pay for meals and incidental costs or incidental costs only, an amount, published on the SARS website www.sars.gov.za, under Legal Counsel/ Secondary Legislation / Income Tax Notices / Determination of the daily amount in respect of meals and incidental costs, is deemed to have been expended per day.



Where the accommodation to which that allowance or advance relates is outside the Republic of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Determination of the daily amount in respect of meals and incidental costs.

Where the recipient is by reason of the duties of his or her office or employment obliged to spend a part of a day away from his or her usual place of work or employment, a reimbursement or advance for expenditure actually incurred by the recipient is exempt if the recipient is allowed by his or her principal to incur expenditure on meals and other incidental costs for that part of a day and the amount of the expenditure does not exceed an amount published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Determination of the daily amount in respect of meals and incidental costs.

Travelling allowance

Rates per kilometre, which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determined using the table published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Fixing of rate per kilometre in respect of motor vehicles.

Note:

- 80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.



- No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle, and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is covered by a maintenance plan).
- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.
- The actual distance travelled during a tax year, and the distance travelled for business purposes substantiated by a log book, are used to determine the costs which may be claimed against a travelling allowance.

Alternatively:

Where an allowance or advance is based on the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee, up to the rate published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Fixing of rate per kilometre in respect of motor vehicles, regardless of the value of the vehicle.

However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Other deductions

Other than the deductions set out above, an individual may only claim deductions against employment income or allowances in limited specified situations, e.g. bad debt in respect of salary.



Fringe Benefits

Employer-owned vehicles

- The taxable value is 3.5% of the determined value (the cash cost including VAT) of each vehicle per month. Where the vehicle is:
- the subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3,25% of the determined value; or
- acquired by the employer under an operating lease, the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- On assessment, the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes, substantiated by a log book, divided by the actual distance travelled during the tax year.
- On assessment, further relief is available for the cost of the licence, insurance, maintenance and fuel for private travel, if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

Interest-free or low-interest loans

- The difference between interest charged at the official rate, and the actual amount of interest charged, is to be included in gross income.



Residential accommodation

- The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula, or the cost to the employer if the employer does not have full ownership of the accommodation.
- The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated institutions.





INCOME TAX: COMPANIES

Years of assessment ending on any date between 1 April 2022 and 30 March 2023.

Type	Rate of Tax (R)
Companies	28% of taxable income

Years of assessment ending on any date on or after 31 March 2023.

Type	Rate of Tax (R)
Companies	27% of taxable income

INCOME TAX: SMALL BUSINESS CORPORATIONS

Years of assessment ending on any date between 1 April 2022 and 30 March 2023.

Taxable Income (R)	Rate of Tax (R)
1 – 91 250	0% of taxable income
91 251 – 365 000	7% of taxable income above 91 250
365 001 – 550 000	19 163 + 21% of taxable income above 365 000
550 001 and above	58 013 + 28% of the amount above 550 000

Years of assessment ending on or after 31 March 2023.

Taxable Income (R)	Rate of Tax (R)
1 – 91 250	0% of taxable income
91 251 – 365 000	7% of taxable income above 91 250
365 001 – 550 000	19 163 + 21% of taxable income above 365 000
550 001 and above	58 013 + 27% of the amount above 550 000



TURNOVER TAX FOR MICROBUSINESSES

Years of assessment ending on any date between 1 March 2022 and 28 February 2023.

Taxable turnover (R)	Rate of tax (R)
1 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

RESIDENCE BASIS OF TAXATION

- Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable. This is applicable to individuals, companies, close corporations, trusts and estates.

TAXATION OF CAPITAL GAINS

- Capital gains on the disposal of assets are included in taxable income.





Maximum effective rate of tax:

Individuals and special trusts	18%
Companies	22.4% (will reduce to 21.6%)
Other trusts	36%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. The following are some of the specific exclusions:

- R2 million gain or loss on the disposal of a primary residence
- Most personal use assets
- Retirement benefits
- Payments in respect of original long-term insurance policies
- Annual exclusion of R40 000 capital gain or capital loss is granted to individuals and special trusts
- Small business exclusion of capital gains of R1.8 million for individuals (at least 55 years of age), when a small business with a market value not exceeding R10 million is disposed of
- Instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

DIVIDENDS TAX

- Dividends tax is a final tax on dividends at a rate of 20%, paid by resident companies and non-resident companies in respect of shares listed on the JSE or other South African licensed exchange. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or another exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends, or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.



OTHER WITHHOLDING TAXES

In limited circumstances, the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

Royalties

- A final tax, at a rate of 15%, is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest

- A final tax, at a rate of 15%, is imposed on interest from a South African source, payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank, or the debt is listed on a recognised exchange.

Foreign entertainers and sportspersons

- A final tax, at the rate of 15%, is imposed on gross amounts payable to non-residents, for activities exercised by them in South Africa as entertainers or sportspersons.

Disposal of immovable property

- A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa, to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 7.5% for a non-resident individual, 10% for a non-resident company, and 15% for a non-resident trust that is selling the immovable property.

OTHER TAXES DUTIES AND LEVIES



Value-added Tax (VAT)

- VAT is levied at the standard rate of 15% on the supply of goods and services by registered vendors.

A vendor making taxable supplies of more than R1 million per annum must register for VAT. A vendor making taxable supplies of more than R50 000, but not more than R1 million per annum, may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT.

Transfer Duty

Transfer duty is payable at the following rates on transactions which are not subject to VAT:

Acquisition of property by all persons:

Value of property (R)	Rate
1 – 1 000 000	0%
1 000 001 – 1 375 000	3% of the value above R1 000 000
1 375 001 – 1 925 000	R11 250 + 6% of the value above R 1 375 000
1 925 001 – 2 475 000	R44 250 + 8% of the value above R 1 925 000
2 475 001 – 11 000 000	R88 250 + 11% of the value above R2 475 000
11 000 001 and above	R1 026 000 + 13% of the value exceeding R11 000 000

Estate Duty

- Estate duty is levied on the property of residents and the South African property of non-residents less allowable deductions. The duty is levied on the dutiable value of an estate, at a rate of 20%, on the first R30 million, and at a rate of 25% above R30 million.
- A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty, as well as deductions for liabilities, bequests to public benefit organisations, and property accruing to surviving spouses.



Donations Tax

- Donations tax is levied at a flat rate of 20% on the cumulative value of property donated since 1 March 2018 not exceeding R30 million, and at a rate of 25% on the cumulative value of property donated since 1 March 2018 exceeding R30 million.
- The first R100 000 of property donated each year by a natural person is exempt from donations tax.
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses, South African group companies and donations to certain public benefit organisations, are exempt from donations tax.

Securities Transfer Tax

- The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or members' interests in close corporations.

Tax on International Air Travel

- R190 per passenger departing on international flights, excluding flights to Botswana, Lesotho, Namibia and eSwatini, in which case the tax is R100.

Skills Development Levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of Skills Development Levies.



Unemployment Insurance Contributions

- Unemployment insurance contributions are payable monthly by employers, on the basis of a contribution of 1% by employers and 1% by employees, based on the employees' remuneration below a certain amount.
- Employers not registered for PAYE or SDL must pay the contributions to the Unemployment Insurance Commissioner.

Rate of interest (from 1 February 2022)	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	5% p.a.
Rates of interest (from 1 March 2022)	Rate
Late or underpayment of tax	7.25% p.a.
Refund of overpayment of provisional tax	3.25% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	7.25% p.a.
Refund of VAT after prescribed period	7.25% p.a.
Late payment of VAT	7.25% p.a.
Customs and Excise	7.25% p.a.



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