



Tax Guide

Information at your fingertips

2022/2023



Tax Services

We advise clients on a comprehensive range of tax related matters including tax risk policy formulation or review to ensure alignment to overall risk management strategy of your organisation, current in country tax compliance, compliance with international tax laws and regulations, effective tax planning and related advisory service across a wide range of businesses and sectors.

Our experienced team is well equipped to provide up to date practical solutions to suit our client's needs. Whether you are seeking advice on the tax implications of a merger and acquisition, our tax specialists have the know-how and the extensive experience to meet your specific needs.

We specialise in:

- **Corporate Tax services:** Tax compliance, mergers and acquisitions, taxation of share incentive schemes, dividends tax, cross border transactions, tax dispute resolution and litigation.
- **Human Resources (HR) tax services:** Review and advise on tax treatment of international assignments, review of design, implementation and disclosure of cost-to-company, evaluating HR policies amongst others.
- **Value-Added-Tax (VAT) services:** Assistance with the compilation of procedures manuals, the design and implementation of appropriate internal controls to facilitate the proper management of all indirect tax compliance issues and the training of staff.
- **Transfer Pricing services:** Compliance services that include drafting of transfer pricing policies that are compliant with local legislation and the regulations of the organization for Economic Co-operation and Development (OECD) where applicable.
- **International tax services:** Advising on tax implications of financing agreements entered into by related entities and non-related entities in different countries. Advising on and reviewing of effective management risks, cross-border transactions, controlled foreign company risks, new group structures, efficiency of existing group structures and tax nexus risks, amongst others.
- **Customs and Excise:** Assistance with registration, licensing and accreditation, imports and exports planning, performing supply chain reviews, customs and excise reviews and assessments, customs and excise duty reliefs, disputes and training.
- **Tax Technology:** Automation of tax processes, developing and adopting new digital tools, implementing data management tools, enhancing reporting and visualisation of tax datasets, extracting knowledge and insights from datasets and managing attendant tax risks.

In this regard for further details on our service offerings, visit our website www.sng-grantthornton.co.za

Use of this guide:

All the information contained in this guide is correct as at the time of publication, i.e. on 24 February 2022. The information used was obtained from the Budget Speech delivered by the Minister of Finance on 23 February 2022 and the Rates and Monetary Amount and Amendment of Revenue Laws Act No 679 of 2021

The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions.

Whilst every care was taken in drafting this guide, we accept no liability for the consequences of any actions taken by readers based on the contents hereof.

Individuals and special trusts

Tax rates for the year of assessment: 2022/2023

Tax rates (year of assessment ending 28 February 2023)

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

Tax rates for the year of assessment: 2021/2022

Tax rates (year of assessment ending 28 February 2022)

Taxable Income (R)	Rate of Tax (R)
1 – 216 200	18% of taxable income
216 201 – 337 800	35 253 + 26% of taxable income above 195 850
337 801 – 467 500	63 853 + 31% of taxable income above 305 850
467 501 – 613 600	110 739 + 36% of taxable income above 467 500
613 601 – 782 200	163 335 + 39% of taxable income above 613 600
782 201 – 1 656 600	229 089 + 41% of taxable income above 782 200
1 656 601 and above	587 593 + 45% of taxable income above 1 656 600

Tax rebates and thresholds 2022/2023

Age	Rebates (R)	Thresholds (R)
Primary (below 65)	16 425	91 250
Secondary (65 and older)	9 000	141 250
Tertiary (75 and older)	2 997	157 900

Tax Rebates and Thresholds 2021/2022

Age	Rebates (R)	Thresholds (R)
Primary (below 65)	15 714	87 300
Secondary (65 and older)	8 613	135 150
Tertiary (75 and older)	2 871	151 100

Trusts other than special trusts

Tax rates for the year of assessment: 2022/2023

Tax rate (year of assessment ending 28 February 2023) – 45%

Tax rates for the year of assessment: 2021/2022

Tax rate (year of assessment ending 28 February 2022) – 45%

Exemptions

Interest

- Interest from a South African source earned by any natural person under 65 years of age, up to R23 800 (2022: R23 800) per annum, and persons 65 and older, up to R34 500 (2022: R34 500) per annum, is exempt from taxation.
- Interest is exempt where by non-residents who is 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

Tax free savings account

Tax free savings accounts were introduced from 1 March 2015 as a measure to encourage household/individual savings. Individuals will be allowed to open multiple tax-free savings accounts, however, they may only contribute up to a maximum of R 36 000 from 1 March 2021 into these accounts within any given year. A lifetime contribution limit of R500 000 will apply. The returns accruing to these accounts will not be subject to income or dividends tax. Amounts within the tax-free savings accounts may be withdrawn at any time. Where an individual contributes in excess of the prevailing annual or lifetime contribution limit in any year, a "penalty" (additional income tax) of 40 per cent on the amount of excess contribution will be levied by SARS on the individual.

Foreign Dividends

Generally foreign dividends other than those earned by persons who held 10% or more in the foreign company are taxable at 20%.

No deductions are allowed for expenditure to produce foreign dividends.

Dividends from REIT

Dividends paid by a real estate investment trust (REIT) to a resident are subject to income tax. Non-residents in receipt of those dividends are only subject to dividends tax.

Restricted Deductions (Employees)

Employees or holders of office are restricted to deducting the following expenditure from their remuneration.

- Bad debts
- Deductions in respect of contributions to a pension fund or retirement annuity fund
- Donations to certain Public Benefit Organizations
- Doubtful debts allowance
- Home office expense, subject to requirements
- Legal expense
- Refunded awards for services rendered and refunded restraint of trade awards as from 1 March 2008
- Wear and tear allowance

Deductions (Individuals)

Retirement fund contributions

Amounts contributed to pension, provident and retirement annuity funds during a tax year are deductible by members of those funds.

Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employee.

The deduction is limited to 27.5% of the greater of:

- Remuneration for PAYE purposes, or
- Taxable income (both excluding retirement funds lump sum and severance benefits)

Furthermore, the deduction is limited to a lower of R350 000 or 27.5%. Any contributions exceeding the limitations are carried forward to the next tax year and deemed to be contributed in that following year.

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) up to R347 (2022: R332) for the individual who paid the contributions and the first dependent on the medical scheme and R234 (2022: R224) for each additional dependent; and in the case of—
 - 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).

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 recipients are obliged to spend at least one night away from their usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for—

- Meals and incidental costs, an amount of R493 (2022: R452) per day is deemed to have been expended;
- Incidental costs only, an amount of R152 (2022: R139) for each day which falls within the period is deemed to have been expended.

Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal Counsel / Secondary Legislation / Income Tax Notices.

Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business travel, where no records of actual costs are kept are determined by using the following table.

Value of the Vehicle (including VAT)	Fixed Cost (R p.a)	Fuel Cost (c/km)	Maintenance Cost (c/km)
0 - 95 000	29 504	104.1	38.6
95 001 - 190 000	52 226	116.2	48.3
190 001 - 285 000	75 039	126.3	53.2
285 001 - 380 000	94 871	135.8	58.1
380 001 - 475 000	114 781	145.3	68.3
475 001 - 570 000	135 746	166.7	80.2
570 001 - 665 000	156 711	172.4	99.6
Exceeding 665 001	156 711	172.4	99.6

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 the subject of 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 the distance travelled for business purposes does not exceed 12 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 382 cents per kilometre, regardless of the value of the vehicle.
- 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.

Fringe Benefits

Employer-owned vehicles

- The taxable value is 3,5% of the determined value (the cash cost including VAT) per month of each vehicle.
- Where the vehicle is 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 further relief is available for the cost of 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 employer, but it does not apply to holiday accommodation hired by the employer from non-associated institutions.

Retirement fund lump sum withdrawal benefits

Taxable Income (R)	Rate of Tax (R)
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 the 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 assignment in terms of a divorce order). Tax on a specific retirement fund lump sum withdrawal benefit (X) is equal to:

- Tax determined by applying the tax table to the aggregate of that 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 severance benefits received or accruing from March 2011; less
- tax determined by applying 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 received or accruing from March 2011.

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
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 the 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 consists 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 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 (Y) is equal to:

- Tax determined by applying the tax table to the aggregate of that lump sum or severance benefit 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 received or accruing from March 2011; less
- Tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007, all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits received or accruing before severance benefit Y from March 2011.

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 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 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.

In addition to the annual tax return, as a provisional taxpayer you need to file the following:

First provisional tax return

The first provisional tax return and payment hereof (if any) are due within six months of the beginning of the year of assessment. The payment is one half of the total tax in respect of the estimated taxable income for the tax year.

Second provisional tax return

The second provisional tax return and payment hereof (if any) are due the last day of the year of assessment. The payment is the total tax in respect of the estimated taxable income for the tax year.

A two-tier model applies depending on the taxpayer's taxable income:

- Actual taxable income of R1 million or less - To avoid any penalty the basic amount may be used. If a lower estimate is used, this must be within 90% of the taxable income finally assessed.
- Actual taxable income exceeds R1 million - To avoid any penalty the estimate must be within 80% of the taxable income, excluding retirement fund lump sums, finally assessed.

If the above requirements are not met, a penalty of 20% is levied on the difference between the estimated tax and 90% of the actual tax (where the taxable income is R1 million or less), or 80% of the actual tax (where the taxable income exceeds R1 million), less the PAYE and provisional tax paid in the year of assessment. The penalty may be waived if the taxpayer can prove that due care has been taken in seriously calculating the estimate.

Third provisional payment

Third provisional payments must be made before 30 September in the case of a taxpayer with a February year end and within seven months of other year ends to avoid interest being charged.

Deceased estates are not provisional taxpayers.

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

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.

Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other 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% (2022: 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% (2022: 15%) is imposed on interest from a South African source payable to residents. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognized exchange.

Foreign entertainers and sports-persons

A final tax at the rate of 15% (2022: 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 are 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.

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.

Corporate Tax

Income tax: Companies

Financial years ending on any date between 1 April 2022 and 30 March 2023

Type	Rate of Tax
Companies	28% of taxable income

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

Type	Rate of Tax
Companies	27% of taxable income

Income tax: Small Business Corporations

Financial years 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

Financial years ending on any date between 1 April 2021 and 30 March 2023

Taxable Income (R)	Rate of Tax (R)
1 – 87 300	0% of taxable income
87 301 – 365 000	7% of taxable income above 87 300
365 001 – 550 000	19 439 + 21% of taxable income above 365 000
550 001 and above	58 289 + 28% of the amount above 550 000

Currently gross income threshold for small business corporation is limited to R20 million effective from 1 April 2013.

Turnover Tax for Micro Businesses

Financial years ending on any date between 1 March 2022 and 28 February 2023

Taxable Income (R)	Rate of Tax (R)
0 – 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

Financial years ending on any date between 1 March 2021 and 28 February 2022

Taxable Income (R)	Rate of Tax (R)
0 – 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

Capital Allowances

Description	Allowance rate
Machinery and Equipment	
Farming or production of renewable energy - s12B	50%/30%/20%
Manufacturing Equipment	
New and unused manufacturing equipment acquired on or after 1 March 2002	40%/20%/20%/20%
Used manufacturing equipment	20%
Manufacturing equipment brought into use for the first time on or after 1 April 2001, and used directly in the process of manufacturing (Small businesses only)	100%
Research and Development	
Acquired on or after 1 January 2012	50%/30%/20%
Buildings	
Industrial (manufacture or similar process)	
Commenced 1/7/96 – 30/9/99	10%
After 1 January 1989	5%
Other	2%
New and unused commercial buildings (and improvements) on or after 1 April 2007	5%
Computers	
Personal	33%
Mainframe servers	20%

Capital Allowances (Continued)

Software	
Purchased software	33%
Self-developed software	100%
Vehicles	
Furniture and Fittings	16.7%

- “Small” items acquired at a cost of less than R7 000 (per item) may be written off in full in the year of assessment in which they are acquired and brought into use.

International Tax

Base erosion, profit shifting and digital services taxation

South Africa is party to many multinational tax processes and agreements, including international negotiations to finalise a treaty on base erosion and profit shifting. This initiative aims to reduce tax avoidance by multinational companies, and ensure that national tax bases are not eroded. South Africa has signed but not ratified its participation, which requires parliamentary approval.

Government proposes to renegotiate some existing bilateral tax treaties with those countries that are not signatories to the agreement. South Africa is a member of the Steering Group of the Inclusive Framework, which is examining income tax challenges associated with digitalisation of the economy. In June 2019, the Group of 20 endorsed a work programme with the commitment to deliver a consensus-based solution by the end of 2020. However, the pandemic has delayed this process. Work continues towards developing a consensus by mid-2021. Should these efforts fail, South Africa will consider the appropriateness of a unilateral approach.

Controlled Foreign Companies (CFCs)

• Clarifying the controlled foreign company diversionary rules

In 2011, the diversionary rules governing the outbound sale of goods by a controlled foreign company (CFC) were abolished because the transfer pricing rules could be applied instead. In 2016, government reinstated the diversionary rules for CFC outbound sale of goods due to their effectiveness in preventing base erosion and profit shifting. The 2016 diversionary rules for CFC outbound sale of goods now provide for an exemption if similar goods are purchased by the CFC, from unconnected persons to that CFC, mainly within the country in which the CFC is resident. Certain taxpayers are circumventing these rules by merely entering into a contract of purchase and sale that implies that the purchase of goods took place in the country of residence of the CFC, when this is not the case. To curb this abuse, it is proposed that these diversionary rules be amended.

• Clarifying the interaction between provisions dealing with a CFC ceasing to be a CFC and the participation exemption

In 2020, changes were made to the Income Tax Act to reduce tax planning opportunities that may emerge from loop structures as a result of the relaxation of the approval requirement by the Reserve Bank. An amendment was made in relation to gains on the disposal of shares in a non-resident company to a non-resident that was not taxed because of the participation exemption in paragraph 64B of the eighth schedule. This amendment has the effect that the participation exemption does not apply to the disposal of shares in a CFC to the extent that the value of the CFC's assets is derived from South African assets. However, section 9H provides that where a CFC ceases to be a CFC as a direct or indirect result of the disposal of all or some of the equity shares in that CFC, the capital gain or loss realised in respect of such disposal is disregarded if the participation exemption under paragraph 64B of the eighth schedule applies.

To address the interaction between section 9H and paragraph 64B, it is proposed that section 9H be amended so that a partial participation exemption in terms of paragraph 64B(6) of the eighth schedule would not affect the exclusion under section 9H(5).

• Clarifying the rules dealing with withholding tax exemption declaration

The Income Tax Act contains provisions in Part IV A and part IV B for withholding tax on royalties and interest respectively. According to the rules dealing with withholding tax on interest, no withholding tax on interest applies if the foreign person submits a declaration that he/she is, in terms of an agreement for the avoidance of double taxation, exempt from the tax. A similar declaration does not exist for withholding tax on royalties. To address the anomaly, it is proposed that the tax legislation be amended.

Taxation of Capital Gains

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

Financial years ending on any date between 1 March 2022 and 28 February 2023

Category of taxpayer	Inclusion rate %	Effective rate %
Individuals, special trusts and individual policy holder funds.	40.0	18
Other trusts	80.0	36
Companies	80.0	22.4 (will reduce to 21.6 for years of assessment ending on or after 31 March 2023)

Financial years ending on any date between 1 March 2021 and 28 February 2022

Category of taxpayer	Inclusion rate %	Effective rate %
Individuals, special trusts and individual policy holder funds.	40.0	18
Other trusts	80.0	36
Companies	80.0	22.4

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/loss on the disposal of a primary residence
- Personal use assets (Certain exclusions apply)
- Retirement benefits
- Payments in respect of original long-term insurance policies.

An annual (non-cumulative) exclusion of R40 000 capital gain/loss is granted to individuals and special trusts. The exclusion granted to individuals is R300 000 in the year of death.

Small business exclusions of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of.

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 with certain items exempted or levied at a zero rate.

A vendor making taxable supplies of more than R1 million per annum is obliged to 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.

Foreign Electronic Suppliers (VAT)

Foreign supplier of electronic services into South Africa were required to register and account for VAT in South Africa as of 1 June 2014. Effective from that date, any person who carried on an "enterprise" of "electronic services" was obliged to register for VAT purposes in South Africa at the end of the month in which its supplies exceeded R50 000. In terms of the Old Regulation, electronic services included, inter alia, a subscription service to any blog, journal, magazine, newspaper, games, internet-based auction service, periodical, publication, social networking service, webcast, webinar, web site, web application and web series.

The Old Regulation was updated and came into effect on 1 April 2019. The intention of these amendments to the Regulations was to widen the scope of the Regulations to apply to all "services" as defined in the VAT Act that are provided by means of an electronic agent, electronic communication or the internet for any consideration. The foreign electronic services supplier or intermediary must register as a Vat vendor (subject to meeting certain requirements) at the end of any month where the total value of taxable supplies made by that supplier exceeds R1 million in any consecutive 12-month period.

The 2022 National budget proposed a review of the current regulations to account for further developments in this area. The proposed changes include an exception where a foreign supplier who has made a once off supply that has exceeded R 1 million in a year to not register for VAT. This is meant to prevent unnecessary registrations, costs and administrative burden for both foreign supplier and SARS.

Transfer Duty

Transfer duty is payable by all persons and entities on the acquisition of property on transactions, which are not subject to VAT at the following rates:

Value of property (R)	Rate (R)
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 R1 375 000
1 925 001 – 2 475 000	R44 250 + 8% of the value above R1 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 11 000 000

Donations Tax

Donations tax is levied at a flat rate of 20% on the value of property not exceeding R20 million disposed through a donation. However, the amount of donations exceeding R30 million is taxed at a rate of 25%. Donations tax applies to any individual, company or trust that is a resident as defined in Section 1 of the Income Tax Act, 1962. A donation tax is not payable if the total value of donations for a year of assessment does not exceed R10 000 for companies, trusts and R100 000 for individuals.

Securities Transfers Tax

Securities tax is levied 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

R90 per passenger departing an international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, 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 Fund 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 employees' remuneration below a certain amount. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

SARS Interest Rates

Rate of interest (from 1 March 2022)	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	5.00% 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.

Summary of penalties and interests imposed by the Tax Administration Act (TAA)

Fixed Penalty – non compliance

The table below contains fixed monthly penalties imposed by the TAA for non-compliance. Where SARS is in possession of the taxpayers current address, the penalty is limited to 35 months and 47 months in any other case. The amount of penalty is based on the taxpayer's taxable income or assessed loss for the preceding year of assessment.

Item	Assessed loss or taxable income for "preceding year" (R)	Penalty (R)
(i)	Assessed loss	250
(ii)	0 - 250 000	250
(iii)	250 001 - 500 000	500
(iv)	500 001 - 1 000 000	1 000
(v)	1 000 001 - 5 000 000	2 000
(vi)	5 000 001 - 10 000 000	4 000
(vii)	10 000 001 - 50 000 000	8 000
(viii)	Above 50 000 000	16 000

Understatement Penalty

The TAA provides for a tax penalty to be imposed on the taxpayer where tax has been understated. The tax penalty is based on the behaviour and the conduct of the taxpayer per the table below:

Item	Behaviour	Standard case	If obstructive, or if it is a 'repeat case'	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
(i)	'Substantial understatement'	10%	20%	5%	0%
(ii)	Reasonable care not taken in completing return	25%	50%	15%	0%
(iii)	No reasonable grounds for 'tax position' taken	50%	75%	25%	0%
(iv)	Impermissible avoidance arrangement	75%	100%	35%	0%
(v)	Gross negligence	100%	125%	50%	5%
(vi)	Intentional tax evasion	150%	200%	75%	10%

Percentage-based penalty

Tax	Incident	Penalty
Income Tax	When a South African resident buys immovable property from a non-resident seller and does not withhold and pay the fixed percentage to SARS	10%
Provisional Tax	Actual taxable income more than R1 million and estimate below 80%	20% of the difference between normal tax calculated on the 80% of actual taxable income and the employees tax and provisional tax paid by the end of the year of assessment
	Actual taxable income is R1 million rands or less and the estimate is less than 90% and the basic amount	20% of the difference between- (i) the lesser of- (aa) the normal tax calculated at 90% of the actual taxable income and (bb) the normal tax calculated in respect of the taxable income equal to the basic amount and; (ii) the employees tax and provisional tax paid by the end of the year of assessment
	Late or non-payment of provisional tax	10% of amount not paid tax
	Taxpayer fails to file an estimate	20%
Employers & employees' tax	Employees tax not paid, the employer will be liable for a penalty	10%
	UIF contributions not paid by the employer will attract a compulsory penalty	10%
VAT	Failing to pay by the 25th (for e-filers, last business day of the month for non-e-filers)	10%

Custom and excise

The levying and collection of customs and excise duties is subject to the Customs and Excise Act 91 of 1964 (the CEA). The CEA includes the Schedules to the CEA (commonly referred to as the Tariff Book) and the Customs and Excise Rules, 1995 (as amended). Customs duties are levied on goods imported into South Africa and, in the case of scrap metals, scrap metals exported from South Africa. Excise duties are levied on high-volume consumables such as alcoholic beverages, tobacco, petroleum products and other non-essential/luxury goods (e.g., motorcycles, yachts, cosmetics, electronics etc.).

Excise Duties

Excise duties include specific excise duties and ad valorem excise duties. Specific excise duties are levied on certain locally manufactured products and ad valorem excise duties are levied on imported goods of the same class or kind. Excise duties are based on the specific quantity or volume of the product concerned. Effective 23 February 2022, the excise duties on the below alcohol and tobacco products will be increased by between 4.5 and 6.5 percent. The impact of this increase is as follows:

	Old excise	New excise
Product	Duty rate	Duty rate
Malt beer	R115.08 / litre of absolute alcohol (195,64c / average 340ml can)	R121.41 / litre of absolute alcohol (206,40c / average 340ml can)
Traditional African beer	7,82c / litre	7,82c / litre
Traditional African beer powder	34,70c / kg	34,70c / kg
Unfortified wine	R4,74 / litre	R4,96 / litre
Fortified wine	R7,92 / litre	R8,36 / litre
Sparkling wine	R15,51 / litre	R16,52 / litre
Ciders and alcoholic fruit beverages	R115.08 / litre of absolute alcohol (195,64c / average 340ml can)	R121.41 / litre of absolute alcohol (206,40c / average 340ml can)
Spirits	R230.18 / litre of absolute alcohol (R74.23 / 750ml)	R245.15 / litre of absolute alcohol (R79.06 / 750ml)
Cigarettes	R18,79 / 20 cigarettes	R19,82 / 20 cigarettes
HTPs sticks	R14,09 / 20 sticks	R14,87 / 20 sticks
Cigarette tobacco	R21.12 / 50g	R22.28 / 50g
Pipe tobacco	R6.26 / 25g	R6.63 / 25g
Cigars	R104.16 / 23g	R110.93 / 23g

New Tax on Beer Powders

The Minister also announced a new tax on beer powders. No further details were provided in the 2022 Budget Speech. Affected stakeholders are encouraged to pay more attention to developments in this area.

Fuel Levy

The fuel levy is levied on any petroleum products manufactured in and imported into South Africa. The levy is paid in addition to any customs and excise duties that are due. The levy rates for fuel are listed under Part 5A of Schedule to the CEA. The fuel levy rate is the sum of the general fuel levy and the carbon fuel levy combined. Effective 06 April 2022, the carbon fuel levy will be increased by 1c to 9c per litre for petrol and 10c per litre for diesel. Therefore, the applicable fuel levy rate for petrol will be 394 cents per litre and diesel 380 cents per litre. The increase will have marginal impact on the petrol price as there are no increases on the general fuel levy or the road accident fund which collectively make up the total price of the price of petrol or diesel at the pump.

New Tax on Vaping Products

On 17 December 2021, National Treasury published a discussion paper on the "Taxation of Electronic Nicotine and Non-Nicotine Delivery Systems". The discussion paper sought consultation on the appropriate mechanisms, structure and timing of a tax on Electronic nicotine delivery systems (ENDS) and non-nicotine delivery systems (ENNDS), also known as e-cigarettes. Furthermore, the paper proposed that a tax on e-cigarettes should be levied, collected and administered under the CEA.

E-cigarette broadly consist of a mouthpiece, battery, vaporizing chamber and a cartridge that contains a liquid solution, flavorings and other chemicals such a nicotine. The battery powered device vaporizes the liquid solution to create an aerosol which is inhaled and exhaled by users to simulate the act of smoking commonly referred to as vaping. Today the Minister confirmed that, with effect from 01 January 2023, South Africa will introduce a new tax on vaping products of at least R 2.90 per millilitre.

Should the new tax on vaping products be administered under the CEA, manufactures and importers of vaping products in South Africa can expect the following obligations a requirement to register and/or license with SARS; submission of monthly/quarterly returns via SARS eFiling, obtaining and retaining nicotine content certification or a South African National Accreditation System (SANAS) or International Laboratory Accreditation Cooperation (ILAC) issued test report.

Carbon Tax

The Carbon Tax Act, Act No 15 of 2019 (the CTA) came into law on 01 June 2019. In terms of the CTA, any person who performs an activity above a specified threshold resulting in greenhouse gas (GHG) emissions is a taxpayer and may be liable for carbon tax in South Africa. Since carbon taxes are administered as environmental levies under the CEA, a taxpayer must license as an excise client with SARS, submit an environmental levy account annually and make payment for carbon tax dues via e-filing. The carbon tax liability is calculated at a rate of carbon tax listed under Part 3F of Schedule 1 of the CEA.

The current carbon tax rate is R 134 per tonne of carbon dioxide equivalent. Effective 01 January 2022, the carbon tax rate will be R 134 per tonne. The new rate will apply on GHG emissions conducted during the period 01 January 2022 to 31 December 2022 (the 2022 tax period). The submission of the 2022 carbon tax return and payment will be due not later than the penultimate working day of July 2023.

The Minister also indicated that the first phase of the carbon tax will be extended to 31 December 2025 (initially 31 December 2022) and the second phase will start from 2026 onwards.

Taxpayers are warned that the large allowances currently enjoyed in the first phase will begin to fall away in the second phase. Moreover, exporters and taxpayers who export carbon-intensive goods can expect to face border-taxes in export markets like the European Union. South African companies are encouraged to develop plans to reduce their emissions in the next 10 years so as to avoid steep taxes that may hamper their competitiveness.

The Health Promotion Levy (Sugary Beverages Levy)

The Health Promotion Levy (HPL) came into law on 01 April 2018. HPL is a levy applicable on the import and manufacture of sugary beverages and their preparations (concentrates), when used in the process of manufacture of sugary drinks, in South Africa. The levy applies to sugary drinks containing 4 grams per 100ml. Therefore, the first 4 grams of sugar is free. Sugary drinks and concentrates liable to carbon tax are listed under Part 7A of Schedule 1 of the CEA. Since inception of the HPL, the applicable levy rate has been 2.21 cents per grams of sugar in excess of 4 grams per 100 ml contained in a finally mixed sugary drink.

Today the Minister announced an increase in the current HPL rate from 2.21 cents to 2.31 per gram of sugar contained in excess of 4 grams per 100 millilitres of a finally mixed sugary drink. An increase in the price of sugary drinks can be expected in the coming months.

Budget Highlights

- Granting tax relief by adjusting personal income tax brackets and rebates for the effect of inflation
- Reduction in company income tax rate to 27 per cent for tax years ending on or after 31 March 2023.
- Increases of between 4.5 and 6.5 per cent in excise duties on alcohol and tobacco .
- No changes to the general fuel levy and road accident fund levy
- Increasing the monthly benefits for employers under the employment tax incentive by 50 per cent .
- Health promotion levy on beverages is increased by 0.1 cent to 2.31 cents per gram of sugar from 1 April 2022.
- Plastic bag levy is increased by 3 cents to 28 cents per bag from 1 April 2022.
- Government expects to achieve a primary surplus – where revenue exceeds non-interest expenditure – by 2023/24. In 2024/25, main budget non-interest expenditure will grow slightly above CPI inflation.
- The consolidated budget deficit is projected to narrow from 6 per cent of GDP in 2022/23 to 4.2 per cent of GDP in 2024/25.
- Gross loan debt will stabilise at 75.1 per cent of GDP in 2024/25.
- Debt-service costs consume an increasing share of GDP and revenue. They are expected to average R333.4 billion a year.
- Total consolidated government spending will amount to R6.62 trillion over the next three years, and the social wage will take up 59.4 per cent of total non-interest spending over this period.
- The bulk of the spending is allocated to learning and culture (R1.3 trillion), social development (R1 trillion) and debt-service costs (R1 trillion) over the MTEF.
- The majority of funding for new and urgent priorities is provided through reprioritization and reallocation of existing baselines.



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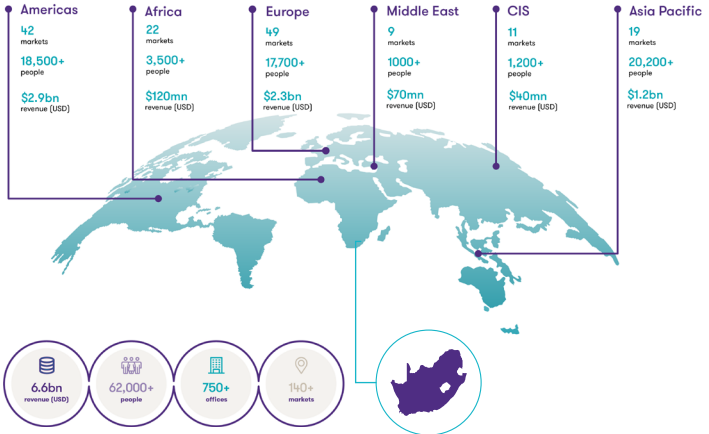
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