Making sense of changing tax laws

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3 March 2022

Agenda

2021 Taxation Laws Amendment Act

2021 Tax Administration Laws Amendment Act

2022 Budget highlights

Q&A

Leading up to Budget day

February
- Budget statement
- Draft Rates Bill

April
- Disaster Management Tax Relief Bill

June/July
- TLAB and TALAB

October
- Consultation and Response document

November
- MTBPS

Dec/January
- Final Amendment Acts promulgated

Budget → Draft proposals → Consultation → Change → Law enacted

2021 Taxation Laws Amendment Act

Introduction of SARS' fixed tax rates for certain living annuity clients

- Effective date: 1 March 2022.
- Fixed tax rate issued by SARS based on latest available data.
- Fixed tax rates to be updated after Budget speech (2022/2023 tax tables/ thresholds) - applicable to annuities paid **from 1 April 2022**.
- Fixed tax rates and opt-out form will be provided to impacted clients/advisers. Opt-out may occur at any point during the tax year, but risk of tax debt on assessment.
- Higher voluntary rate may still be elected.
- Reduced rate directives (DTA, hardship) supersede SARS fixed rates.

2021 Taxation Laws Amendment Act

Expanding annuity options at retirement

- Combination of multiple types of annuities can be purchased on retirement from 1 March 2022 (fund-provided, fund-owned, member-owned).
- Where more than one annuity purchased, minimum purchase amount of R165 000 per policy applies.
- Increase to staggered transfer and retirement minimums – R150 000 to R250 000.

2021 Taxation Laws Amendment Act

Deemed disposal of retirement fund assets on cessation of SA tax residency

- Recap: Section 9HC proposed the introduction of a withdrawal tax and interest charge, with effect from 1 March 2022, when a member of a retirement fund ceases to be a South African tax resident.
- Proposal **withdrawn** following public consultation process.
- Government to initiate renegotiation of affected tax treaties in 2022.

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2021 Taxation Administration Laws Amendment Act

Personal income tax: New penalty regime

- Effective date: 1 January 2022.
- SARS levies a late submission of return penalty where *one or more* personal income tax return/s are outstanding.
- Previously: SARS only levied a late submission of return penalty on *two or more* outstanding personal income tax returns.

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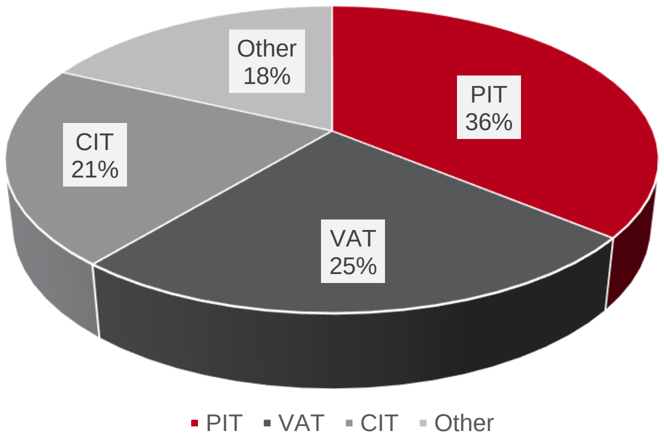
Setting the scene

- Main sources of tax revenue:



- PIT, VAT and CIT account for about 82% of total tax revenue collection in 2021/22

2022 Budget highlights

Key takeouts

- 2022/23 responsible Budget signaling optimism

- Key messages:
  - “Now is *not* the time to increase taxes and put the recovery at risk.”
  - Continued focus on tax enforcement and rebuilding SARS
    - Counter criminal and illicit activity
    - Initiation of a review of all businesses
  - Government expenditure remains a challenge

Tax policy is focused on broadening the tax base, improving administration and lowering tax rates.

2022 Budget highlights

Main tax proposals

- Inflationary relief to PIT brackets and rebates
- Expansion of the employment tax incentive to encourage youth employment
- No change to the general fuel levy or the Road Accident Fund (RAF) levy
- Increases of between 4.5% and 6.5% in excise duties on alcohol and tobacco
- The carbon tax levy for 2022 will increase by 1c to 9c/litre for petrol and 10c/litre for diesel from 6 April 2021
- **No changes** to capital gains inclusion rate, dividend and interest withholding taxes, retirement fund tax tables and TFI contribution limit

2022 Budget highlights

Main tax proposals

- Restructuring corporate tax system
  - Reduction in corporate income tax rate from 28% to 27% – effective for years of assessment <u>ending on/after 31 March 2023</u>
  - Accompanied by base-broadening measures
  - Expiry of corporate tax incentives

2022 Budget highlights

Other proposals impacting individuals

- Continued focus on non-residents/expats
  - Apportionment of interest exemptions and CGT exclusion on cessation of tax residency
  - Review exemption of foreign retirement fund benefits in domestic legislation
  - Review of tax treaties in respect of retirement fund benefits
  - Globally mobile employees: discussion paper expected on the personal tax regime for remote work
- "Two-pot" retirement system
- Enhanced disclosure of wealth - viability of a wealth tax?

Q&A

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