



GMS Flash Alert

2022-039 | February 25, 2022



South Africa - Budget 2022 Delivered

South Africa's Minister of Finance Enoch Godongwana delivered his Budget Speech on Wednesday, 23 February 2022.¹ Highlights of some of the important tax announcements affecting individuals – including those on international assignment – and their employers are summarised in this *GMS Flash Alert*, including the apportionment of the interest income and capital gains tax annual exclusion on breaking residence, access to retirement funds, taxing rights over South African retirement funds under double taxation treaties, and disclosure/reporting of assets.

For additional analysis on the 2022 budget, visit the website for the KPMG International member firm in South Africa at: <http://www.kpmg.co.za/> or click [here](#).

WHY THIS MATTERS

For employers of globally-mobile employees there is always a great deal of interest in budget measures and proposals in respect of future policy as they can have a direct impact on the costs of assignments, payroll withholding, hypothetical tax deductions, etc.

Budget 2022 introduces a number of welcome measures which are likely to benefit both office-holders/employees and employers. However, asset reporting is garnering increased scrutiny and individual taxpayers, and their tax service providers, should be diligent about compliance in this area.

The specific impact of the budget's measures will depend on each taxpayer's particular set of circumstances. However, in most instances, we expect that an employee's South African tax burden should remain relatively stable as a result of these measures.

It is essential to get in front of the changes described in this newsletter and to communicate quickly and clearly with key stakeholders, so that they can properly plan, budget, and make necessary adjustments.

Tax Measures/Proposals Affecting Individuals, Including Globally-Mobile Employees

As relates to individual taxpayers and expatriate employees, the proposals for the tax year commencing 1 March 2022 include:

- The **maximum tax rate for natural persons** remains 45 percent (see Appendix A for the tax table). There is inflationary relief through a 4.5-percent adjustment in the personal income tax brackets and rebates.²
- When a natural person ceases to be **tax resident** in South Africa (usually upon exiting South Africa permanently), that taxpayer effectively has two assessment periods in the same 12 months of the tax year. Treasury has proposed that **apportionment of the interest income and capital gains tax annual exclusions** be required when a person ceases to be tax resident.
- **Retirement reforms continue as relates to the “two-pot system”** proposed for retirement savings vehicles. This proposed approach will allow pre-retirement access to a portion of one’s retirement assets, ensuring that the remainder is preserved for retirement. Legislative amendments will follow subsequent to public workshops being held.
- **Medical tax credits** have increased from ZAR 332 to ZAR 347 per month for the first two members and ZAR 224 to ZAR 234 per month for additional members of the medical aid.
- Certain double taxation agreements (DTAs) provide tax relief from South African tax in relation to South African retirement savings vehicles for residents of other countries. South Africa will revisit the applicable DTAs during this year, so as to retain **South African taxing rights in respect of South African retirements funds**.
- No **wealth tax** was announced, however there are clear indications that Treasury is collecting data to assess the viability of the introduction of a wealth tax.
- Provisional taxpayers with business interests are currently required to declare their assets (based on their acquisition values) and liabilities in their tax returns each year. It is proposed that **all provisional taxpayers with assets above ZAR 50 million be required to declared specific assets and liabilities at market values** in their 2023 tax returns. The 2023 tax returns will be due from July 2023.

KPMG NOTE

It will be interesting to understand how broadly SARS intends to apply the concept of “business interests.”

Other Government Plans for Provisional Tax Systems, Remote Work, Foreign Retirement Fund Contributions

- Government proposed a **review of the provisional tax systems** given “changing circumstances and international developments,” with the intention of publishing a discussion paper on this subject.
- As relates to globally-mobile employees:
 - The concept of **“work from anywhere” and remote working** is gaining traction and attention.

A discussion document will be published in 2022 specifically addressing a personal tax regime for remote work.

- The **taxation of employer contributions to foreign retirement funds** has been a contentious area in South Africa for some time. It has been proposed that a review of the exemption of foreign retirement benefits in domestic tax legislation be conducted.

Employment Taxes

- Section 7B of the Income Tax Act, No 58 of 1962 (as amended) provides guidance on the timing of the taxation of variable remuneration such as commissions or bonuses. This section does not presently address the informal sector (generally smaller, start-up businesses and entrepreneurs), where “commission” is determined without reference to a percentage of earnings. Changes to section 7B are on the horizon to cater for these types of performance-based variable payments.
- The Employment Tax Incentive (ETI) is being expanded from 1 March 2022 to increase the maximum monthly value from ZAR 1,000 per month to R1500 per month for the first 12-month period and from a maximum of ZAR 500 to ZAR 750 in the second 12 months of eligibility.

Next Steps

Further consultation and technical discussion papers are expected in relation to a number of the proposals. Rates changes and specific measures identified will become effective on 1 March 2022, with some changes being brought in later in the year, and specific implementation dates to be confirmed. Certain areas will require longer consultation periods than others and are earmarked for implementation in 2023.

A Draft Taxation Laws Amendment Bill will be released in March 2022 containing further details of these measures/proposals. Final Amendment Acts will be introduced and passed by Parliament later in the year.

FOOTNOTES:

1 For the budget speech and related documents, see:
<http://www.treasury.gov.za/documents/national%20budget/2022/>.

2 For more on taxation of individuals and globally-mobile employees, see “[Taxation of International Executives: South Africa](#),” published by KPMG International.

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ZAR 1 = USD 0.06575
ZAR 1 = EUR 0.058
ZAR 1 = GBP 0.05
ZAR 1 = INR 4.938

Source: www.xe.com

APPENDIX A

Tax payable by individuals for the tax year 1 March 2022 to 28 February 2023

Taxable income (ZAR)	Rate (% and ZAR)
0 to 226,000	18% of taxable income
226,001 to 353,100	40,680 + 26% of taxable income above 226,000
353,101 to 488,700	73,726 + 31% of taxable income above 353,100
488,701 to 641,400	115,762 + 36% of taxable income above 488,700
641,401 to 817,600	170,734 + 39% of taxable income above 641,400
817,601 to 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	45%

Contact us

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