

Budget 2021: How it could affect you

Your everyday finances and investments

The 2021 Budget Annexure below gives more detail about how the changes and proposals may affect your financial wealth.



Your everyday finances

Tax on what you earn

Personal income tax

Personal income tax brackets, rebates and thresholds increased by 5%.
Maximum personal income tax rate (unchanged): 45%



Rebates

Primary	Secondary	Tertiary
R15 714	R8 613	R2 871
▲ R756	▲ R414	▲ R135



Tax thresholds

< 65 years	65+ years	75+ years
R87 300	R135 150	R151 100
▲ R4 200	▲ R6 500	▲ R7 250

What you spend

VAT (unchanged): 15%



Fuel taxes

(effective 7 April 2021)

General fuel levy	RAF levy
▲ 15c/litre	▲ 11c/litre



Carbon tax

(effective 7 April 2021)

Petrol	Diesel
▲ 8c/litre	▲ 9c/litre



Medical tax credits

First two beneficiaries (per person)	Remaining beneficiaries (per person)
▲ R332 (up by R13)	▲ R224 (up by R9)



Your investments

Exemptions and allowances

Interest exemption (unchanged)

(Applicable to South African-sourced income only)

For individuals:

< 65 years	65+ years
R23 800 per year	R34 500 per year

Tax-free savings (unchanged)

Annual contribution limit: R36 000

Annual donations relief (unchanged)

Exemption of R100 000

Exchange control

Refer to the proposals in the 2021 Budget Annexure that follows.

Tax on your investments

Capital gains tax (unchanged)

Taxpayer	Inclusion rate	Maximum effective rate
Individuals	40,0%	18,0%
Special trusts	40,0%	18,0%
Companies	80,0%	22,4%
Trusts	80,0%	36,0%

Dividends withholding tax (SA) (unchanged): 20%

Foreign dividends tax (unchanged)



Your business

Corporate tax

Companies with year-ends commencing before 1 April 2022 (unchanged): 28%

Companies with year-ends commencing on or after 1 April 2022 (decrease of 1%): 27%

- Assessed loss to be limited to 80% of taxable income to coincide with rate reduction.
- Interest deduction to be limited to 30% of earnings before interest, tax, depreciation and amortisation (Ebitda) for taxpayers forming part of a multinational group to coincide with rate reduction.

Highlights

VAT

15%
(unchanged)



Personal income tax

Personal income tax brackets, rebates and thresholds increased by **5%**



Corporate tax

28%
(27% for years of assessment commencing on or after 1 April 2022)



Estate duty rate

- 20%** on dutiable estates up to R30 million (unchanged)
- 25%** on dutiable estates greater than R30 million (unchanged)



Donations tax rate

- 20%** on donations up to R30 million (unchanged)
- 25%** on donations exceeding R30 million (unchanged)



Fuel taxes

- General fuel levy – 15c/litre
- RAF levy – 11c/litre (effective 7 April 2021)



Carbon tax

- Petrol – 8c/litre
- Diesel – 9c/litre (effective 7 April 2021)



Key changes and proposals in more detail



Income tax changes and proposals

Companies, public benefit organisations (PBOs), trusts, travel and working-from-home allowances



Rebuilding SARS

A focus on efficiency, tax compliance and wealthy individuals



Retirement-related reforms

Affecting anyone planning their retirement



Exchange control

Affecting anyone considering emigrating or who has already started the process

Your future planning

Refer to the 2021 Budget Annexure on the following pages.



Your legacy

Donations tax (unchanged)

- Tax rate on donations exceeding R30 million after 1 March 2018: 25%
- Tax rate on donations up to R30 million after 1 March 2018: 20%
- Annual donations tax exemption: R100 000

Property transfer duty (unchanged)

Trusts tax rate (unchanged): 45%

Estate duty (unchanged)

- Dutiable estates up to R30 million: 20%
- Dutiable estates greater than R30 million: 25%



Your retirement

Limits (unchanged)

- Withdrawal benefit limits from retirement funds
- Limits on retirement fund lump sum benefits and severance benefits

Retirement-related reforms

- Refer to the 2021 Budget Annexure on the following pages.

2021 Budget Annexure

Key changes and proposals that could affect your financial wealth.



INCOME TAX CHANGES AND PROPOSALS

Companies, PBOs, trusts, travel and working-from-home allowances



REBUILDING SARS

A focus on efficiency, tax compliance and wealthy individuals



RETIREMENT-RELATED REFORMS

Affecting anyone planning their retirement



EXCHANGE CONTROL

Affecting anyone considering emigrating or who has already started the process





INCOME TAX

Who is affected?	The proposals and changes
Companies	The corporate income tax rate will reduce to 27% for companies with a year of assessment that commences on or after 1 April 2022 with a view for further reductions over the medium term. This requires a broadening of the tax base through, among others, the following: - Limiting the offset of assessed losses. It was initially proposed in the 2020 Budget that the offset of assessed losses that has been carried forward from previous years be restricted to 80% of taxable income for the year, commencing on or after 1 January 2021. Government has therefore postponed the introduction of this measure until 2022 to coincide with the corporate tax rate reduction. - Limiting interest deductions, but only between connected parties. It was initially proposed in the 2020 Budget that for the years of assessment commencing on or after 1 January 2021, taxpayers forming part of a multinational group will be prevented from deducting interest expenses in excess of 30% of their adjusted taxable income or Ebitda. Government has postponed the introduction of this measure until 2022 to coincide with the corporate tax rate reduction. - The venture capital company tax incentive (section 12J) is not extended beyond 30 June 2021.
Public benefit organisations	The introduction of an automated reporting obligation to SARS by PBOs issuing section 18A certificates to enable the prepopulation of this information on donors' tax returns.
Trusts	- Schemes designed to generally cede the right to receive or use an asset for no consideration to a family trust will be addressed. - The anti-avoidance rules for loan transfers between trusts where the founder of one trust is related to one or more beneficiaries of the other trust will be strengthened.
Anyone who claims travel and working-from-home allowances	Consultation to take place to review the tax provisions for travel and working-from-home allowances.





REBUILDING SARS WITH A FOCUS ON EFFICIENCY, TAX COMPLIANCE AND WEALTHY INDIVIDUALS

Who may be affected?	The proposals and changes
Technology, data and infrastructure to improve tax collection and compliance	An additional spending allocation of R3 billion will be provided to SARS to modernise its technology infrastructure and systems, expand and improve the use of data analytics and artificial intelligence capabilities, and participate meaningfully in global tax compliance initiatives. A digitalised SARS is intended to lower costs of compliance, simplify tax administration and improve collections.
Wealth data from third-party information	Following the recommendations of the Davis Tax Committee, SARS will focus on consolidating wealth data for taxpayers through third-party information. This will assist in broadening the tax base, improving tax compliance and assessing the feasibility of a wealth tax.
Wealthy individual taxpayers who have complex financial arrangements and undeclared offshore holdings	- In this coming fiscal year, SARS will establish a dedicated unit to improve compliance of individuals with wealth and complex financial arrangements. This unit will be known as the High Wealth Individual Taxpayer Segment. This unit will focus on individual taxpayers with wealth and complex financial arrangements. - SARS has been paying particular attention to taxpayers with undeclared offshore holdings. SARS has at its disposal information about offshore account holdings of SA taxpayers some of which seem not to have been declared. The information that has come into SARS's possession shows possible non-compliance by a number of these taxpayers. The first group of taxpayers have been identified and will receive communication during April 2021 from SARS to request information about their offshore holdings. - The information that SARS has received comes from 87 jurisdictions across the world, detailing the offshore financial holdings of SA taxpayers. SARS intends to undertake a careful review of the information and audit it, where necessary.
Taxpayers who aren't compliant or wish to get advance rulings on transactions	- The voluntary disclosure programme (VDP) enables taxpayers to approach SARS to regularise their tax affairs to avoid criminal prosecution, and penalties in general. SARS has invited public comments for the review of the VDP to align it with strategic and policy objectives of the fiscus. - The advanced tax ruling (ATR) system that enables taxpayers to approach SARS to get advance rulings on proposed transactions and binds SARS on tax treatment will also be reviewed.





RETIREMENT-RELATED REFORMS

Who may be affected?	The proposals and changes
Retiring individuals	- Allowing retiring members more flexibility to use their retirement interest to purchase various annuities (when buying compulsory annuities) from different funds (rather than just from one fund) on retirement to improve returns. - The Income Tax Act stipulates that any transfer by a member of a pension, provident or retirement annuity fund (who has opted to retire early) into a similar fund would be considered a taxable transfer; this is not in line with the policy objective of tax-free transfers to similar or more restrictive funds. To address this anomaly government proposes allowing tax-free transfers between retirement funds by retired members who are 55 years or older.
Members of provident and provident preservation funds	Annuitalisation (being allowed to take a maximum of one-third as a lump sum and using the remaining two-thirds to purchase an annuity) of provident and provident preservation funds comes into effect from 1 March 2021. Members of provident funds will keep their vested rights (ability to withdraw the full lump sum) on amounts accumulated before 1 March 2021. Members who are 55 years or older on or before 1 March 2021 are not impacted by annuitisation of provident and provident preservation funds, ie such members can make a full withdrawal on retirement.
Anyone who is considering emigrating or has already started the process	An individual who ceases to be a South African tax resident and is not looking to withdraw retirement benefits will be deemed to withdraw from the retirement fund a day before ceasing to be tax resident. This deemed withdrawal will trigger a tax charge according to the withdrawal table. However, payment will be deferred until the individual actually retires or withdraws from the fund, at which point benefits will become payable and any additional tax due will be taxed, considering any applicable Double Taxation Agreement (DTA). However, it is also important to remember that individuals who cease to be South African tax residents (whether looking to withdraw retirement benefits or not) must be a tax non-resident for an uninterrupted period of three years or longer before they can access their retirement benefit lump sums, ie before these can be transferred abroad. Refer to the exchange control section of this document that follows.
Members of retirement annuity funds	The minimum value that can be withdrawn from a paid-up retirement annuity (where the value of such benefit is less than the new limit) increases from R7 000 to R15 000, effective from 1 March 2021.
Retirement fund trustees and investment managers making asset allocation decisions about infrastructure investments	Draft amendments to Regulation 28 (of the Pension Funds Act) are expected to make it easier for retirement funds to increase investment in infrastructure on a discretionary basis, as opposed to a prescribed basis.





EXCHANGE CONTROL

Who may be affected?	The proposals and changes
Individuals who have global wealth, or interests in global businesses	- The exchange control reforms announced in the 2020 Budget for the introduction of a new capital flow management system are expected to be substantively completed this year. The South African Reserve Bank (SARB) is expected to issue the new capital flow management manual during March, which is eagerly awaited. - From 1 March 2021, companies with a primary listing offshore, including dual listings, will be aligned to current foreign direct investment rules. - From 1 March 2021, emigration will be determined by the cessation of South African tax residency.
Anyone who is considering emigrating or has already started the process	Emigration: phasing out the concept of emigration as recognised by SARB - The term emigration as recognised by SARB is being phased out from 1 March 2021 and will be replaced by a SARS verification process. - The position before 1 March 2021 is set out here. - From 1 March 2021, all new emigration-related applications will be processed by SARS based on a new dispensation of confirming that the taxpayer has ceased to be a resident for tax purposes. SARS will issue a Tax Compliance Status (TCS). This means that going forward from an exchange control perspective the definition of 'emigrant' will fall away and 'emigrants' will be treated as 'residents' for exchange control purposes. - Refer to the Retirement related reforms section above to understand how this affects the taxation of retirement benefits on ceasing to be resident after 1 March 2021. There is also a section below about accessing retirement benefits in practice. What this means in practice: - All new emigration-related applications from 1 March 2021 onwards will be processed by SARS based on a new dispensation of confirming that the taxpayer has ceased to be a resident for tax purposes. - Authorised dealers may allow transfers of up to R10 million per calendar year per private individual who ceases to be a resident for tax purposes in SA, and who is 18 years and older, provided that the individual is tax-compliant and submits the applicable TCS PIN for verification. - Private individuals who transfer more than R10 million offshore will be subjected to a more stringent verification process, including: - verification of their tax status and the source of funds; and - a risk assessment of the private individual in terms of the anti-money-laundering and countering the financing of terrorism requirements as prescribed in the Financial Intelligence Centre Act 38 of 2001. - SARS will not require form MP 336(b) as part of the TCS application process, however: - all the assets and liabilities of the taxpayer must still be completed according to the SARS TCR01 Emigration Application Form. All private individuals that cease to be residents would have to request a TCS for 'emigration' from SARS before authorised dealers may transfer any funds in this regard; and - this procedure will apply regardless of whether such a private individual would be transferring any funds abroad at the time they cease to be a resident for tax purposes.





EXCHANGE CONTROL (CONTINUED)

Who may be affected?	The proposals and changes
Anyone who is considering emigrating or has already started the process	- Furthermore, from 1 March 2021 onwards, taxpayers can access their applicable retirement benefits if they can: - prove to the retirement fund that they have been non-residents for tax purposes for an uninterrupted period of three years and that an applicable tax directive was issued to the fund by SARS (the proof provided may include proof of being a tax resident in another jurisdiction); - provide an authorised dealer the applicable TCS from SARS; and - provide the documentation from the fund indicating or confirming the final amount to be paid out to the taxpayer. The above documentation is required before effecting the transfer. SARS will provide more information later. - Under the new framework, natural person emigrants and natural person residents will be treated identically. The current process of controlling or blocking an emigrant's remaining assets in a special 'blocked funds account' will fall away. All transfers from these accounts will be handled as normal fund transfers in line with any other foreign capital allowance transfer. - The current exchange control policy relating to emigration will apply to all MP 336(b) forms that have been attested, ie stamped and signed by an authorised dealer on or before 28 February 2021. - For further information on the SARS process click here.

