Budget Speech 2021/2022
All you need to know

Tax tables 2021/2022 (year of assessment ending 28 February 2022)

Income tax: Individuals and special trusts

Taxable income	Rates of tax
0 – 216 200	18 % of taxable income
216 201 – 337 800	38 916 + 26% of taxable income above 216 200
337 801 – 467 500	70 532 + 31% of taxable income above 337 800
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

Rebates

Primary rebate (persons under 65)	R 15 714
Secondary rebate (persons 65 and older)	R 8 613
Tertiary rebate (persons 75 and older)	R 2 871

Tax thresholds

The tax thresholds at which liability for normal tax commences, are:	
Persons under 65	R 87 300
Persons of 65 – 74 years	R 135 150
Age 75 and older	R151 100

Medical scheme fees tax credits

Main member	R 332
First dependant	R 332
Each additional dependant	R 224

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence in South Africa for work purposes, an amount equal to the following is deemed to have been expended for each day or part of a day for –

- meals and incidental costs, R452 per day/part of a day;
- incidental costs only, R139 per day/part of a day.

The rates for foreign travel (travel outside South Africa) can be found on www.sars.gov.za

No new rates have been published for 2021/2022, therefore, the rates remain unchanged.

Table for calculation of rate per km/travel allowance

Value of the vehicle (including VAT)	Fixed cost	Fuel cost	Maintenance cost
(R)	(R p.a)	(c/km)	(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 665 000	156 711	172.4	99.6

Prescribed rate for reimbursive kilometres

The prescribed rate per kilometre decreased from R3.98 to R3.82.

Personal service provider

A personal service provider is taxed at a rate of:

- 28% for a personal service provider company (remains unchanged) and
- 45% for a personal service provider trust (remains unchanged).

UIF contribution threshold

The Minister of Finance proposed an increase to the UIF contribution threshold from R14 872 to R17 712 per month. Therefore, the maximum contribution for both the employee and employer will increase from R148.72 to R177.12 per month. This is only a proposed limit and has not been promulgated yet. The current limit of R14 872 is applicable until the new limit is made effective.

SAGE KNOWS: Click **here** for everything you will need regarding this budget speech.

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Introduction

This section explains the most important amendments according to the Taxation Laws Amendment Act, 2020 and the Tax Administration Laws Amendment Act, 2020 affecting employers and employees. It also contains the changes to the BCEA earnings threshold and the National Minimum Wage rates. All changes are effective March 2021, except where mentioned otherwise.

Explanation of tax changes affecting the system

PAYE withholding on annuities/pension

Currently, a taxpayer may be entitled to receive monthly annuities from a retirement fund or an insurer. This annuity is taxable in the hands of the taxpayer and is subject to PAYE withholding by the fund or insurer. If the taxpayer receives other employment income/remuneration (for example a salary), that other income is added to the annuity to determine his/her final tax liability on assessment. In most cases, the taxpayer's tax liability exceeds the PAYE withholding by the employer/fund/insurer during the year of assessment, resulting in an additional tax liability on assessment which can cause a cash flow burden and a tax debt for the taxpayer.

From March 2021, in order to assist in alleviating the financial burden for the taxpayer in this situation:

- The fund/insurer can apply for a directive in order for the tax rebates (i.e. primary rebate for persons younger than 65, secondary rebate for persons 65 and older, and tertiary rebate for persons 75 and older) applicable to the taxpayer not to be taken into account when determining PAYE to be withheld from the annuity.
- Any PAYE excessively withheld during the tax year will be refunded upon assessment.
- This will only be applicable when the taxpayer has two or more sources of remuneration/employment income, provided that one of these sources is from a retirement fund or an insurer.

Currently it is unclear how this will be applied in practice (i.e. directive application etc.) and further clarity must be provided by SARS.

Reimbursements/advances for business travel on day trips

Currently, a taxpayer may be entitled to receive reimbursements/advances (i.e. subsistence allowance) by the employer i.r.o meals and/or incidental costs incurred by the employee, which is excluded from taxable income if –

- the employee is obliged to spend at least one night away from his/her usual place of residence for work purposes and,
- the rate per day/part of the day does not exceed the rate published by the Commisioner by notice in the Goverment Gazette.

The allowance/reimbursements is not subject to PAYE, irrespective of the amount paid, but might be taxable on assessment.

If employees are away on a day trip only, they do not qualify for a subsistence allowance which is excluded from taxable income. However, if the employer reimburses actual meals and/or incidental expenses while the employee is away from his/her usual place of employmet for work purposes, it can be exempt if all of the following conditions are met:

- The expenses are incurred by the employee for which the employee must produce proof of the actual expenditure to the employer,
- on the instruction of the employer, and
- in the furtherance of the employer's trade.

The problem occurs where the employee is obliged to be away from his/her usual place of employment on a day trip only and the employee incurs meals and/or incidental costs in the furtherance of the employer's trade but the employee has not been instructed by the employer to incur meals and/or incidental costs. In this case, the reimbursement is subject to income tax and is included in remuneration and subject to PAYE.

From March 2021, in order to accommodate the above scenario, a reimbursement/advance paid by the employer i.r.o meals and/or incidental costs incurred by the employee if the employee spends a day/part of a day away from his/her usual place of employment for work purposes, will be exempt from income tax if –

- the employer instructs the employee to incur the expenses in the furtherance of trade and the employee produces proof to the employer of the actual expenditure, **or**
- **the employee is allowed to incur expenditure on meals and/or incidental costs (i.e. the employer's policy makes provision for such an advance/reimbursement) while the employee is obliged to spend a day or part of a day away from his/her usual place of employment for work purposes in the furtherance of trade, and the rate per day/part of a day does not exceed the amount determined by the Commissioner by notice in the Government Gazette.**
- The maximum amount for expenditure in respect of meals and incidental costs for 2021/2022 is R139 per day/ part of the day.

Currently it is unclear how these amounts must be reported on the tax certificate and further clarity must be provided by SARS.

Exempt bursaries/scholarships

Currently, an employee may be entitled to receive an exempt bona fide bursary/scholarship to assist/enable the employee's relative or a family member with a disability (as defined in section 6B(1)) to study at a recognised educational or research institution if certain rules are met.

The exemption rules are:

- the employee's remuneration proxy may not exceed R600 000, and
- the value of the bursary/scholarship may not exceed the exemption threshold for the year of assessment (dependent on the NQF level). If it exceeds the exemption value, the excess is taxable.

When this was introduced in 1992, the exemption of the scholarship/bursary was dependent on the fact that the bursary/scholarship was not an element of the employee's remuneration package as salary sacrifice. In 2006, changes were made to the legislation to remove the salary sacrifice provision from the exemption requirements and this amendment was purely to encourage skills development.

Since then, several schemes have been developed by institutions (other than the employer) and marketed to the employer as a means of providing tax exempt bursaries to the employee's relative or family member with a disability by way of salary sacrifice (reclassifying normal taxable remuneration as a tax-exempt bursary). This has an influence on the fiscus that resulted in a loss to the fiscus, therefore, the Government has reviewed the amendments made in 2006.

From March 2021, in order to address this anomaly, the exemption of a bursary/scholarships will be subject to the fact that the employee's remuneration package does not include bursaries/scholarships as an element of salary sacrifice.

Therefore, from March 2021, a bona fide bursary/scholarship granted to assist/enable the employee's relative or a family member to study at a recognised educational or research institution, will be exempt if –

- the employee's remuneration proxy does not exceed R600 000, and
- the value of the bursary/scholarship does not exceed the exemption threshold for the year of assessment (dependent on the NQF level), and

- **the bursary/scholarship is not subject to an element of salary sacrifice in the employee's remuneration package.**

If all of the exemption conditions are not met, the scholarship/bursary will be included in remuneration and subject to PAYE. Some employers may have to review their package structures to accommodate this amendment.

Explanation of tax changes not affecting the system

Exempt foreign employment income

Before 29 February 2020, certain foreign employment income was exempt up to a limit of R1.25 million per tax year if –

- the employee renders services for/on behalf of his/her employer outside SA,
- for a period/periods of more than 183 full days in aggregate during any 12-month period, and
- which includes a period of more than 60 full continuous days during that 12-month period.

In order to accommodate the impact of the Covid-19 pandemic (declared as a national disaster) which restricted travel across borders during the Covid-19 alert level 5 and 4 from 27 March 2020 to 31 May 2020 (66 days), an additional rule was added to allow for a special exemption.

From 29 February 2020, certain foreign employment income is exempt up to a limit of R1.25 million per tax year if –

- the employee renders services for/on behalf of his/her employer outside SA,
- for a period/periods of more than 183 full days in aggregate during any 12-month period, **or for a period/periods of more than 117 full days in aggregate during any period of 12 months in respect of the year of assessment ending on or after 29 February 2020 but on or before 28 February 2021, and**
- which includes a period of more than 60 full continuous days during that 12-month period.

ETI Roll-over amounts

Employers are allowed to roll over ETI amounts and claim it in a next period if –

- the ETI amount exceeds the PAYE liability of the month,
- the employer did not claim the amount entitled to, or
- the employer is not tax compliant (outstanding returns or SARS debt).

The amount can be rolled-over in the same 6-month reconciliation period (March – August and September to February). Any amount not claimed within the 6-month reconciliation period will be permanently forfeited.

Where the employer was not allowed to reduce the PAYE payable with the ETI amount available due to being non-compliant, the employer was unable to claim the ETI until the employer became compliant. There was an anomaly in the ETI Act, where these amounts could have been rolled over until the employer became compliant and was not limited to the 6-month reconciliation period. Therefore, the anomaly resulted in the fact that compliant employers were worse off than non-compliant employers.

From 31 July 2020, in order to address this anomaly, the limitation of the 6-month reconciliation period in respect of roll-over amounts also applies to employers who were unable to reduce the PAYE payable with the ETI available due to being non-compliant.

Annuitisation of provident fund pay-outs

In 2015, amendments were made to the Act regarding the tax treatment of provident funds to enhance preservation of retirement fund savings during retirement, to prevent retirees from spending all their retirement assets too quickly.

Currently, if you contribute towards a pension fund or retirement annuity, two thirds may be paid out as an annuity (meaning an amount will be paid out on a monthly basis) and one third may be paid out as a lump sum cash amount on retirement. However, if you contribute towards a provident fund, the full amount may be paid out as a cash lump sum on retirement.

As a result of the amendments, it was proposed that on retirement, a member of a provident fund will be permitted to take up to a third of the retirement benefits as a lump sum and annuitise the remaining two-thirds, subject to certain conditions and exclusions.

The initial effective date was 1 March 2016, but government postponed the annuitisation requirement for provident funds to provide sufficient time for the Minister of Finance to consult with the interested parties including NEDLAC.

The compulsory annuitisation of provident fund pay-outs will be effective 1 March 2021.

Other payroll/labour related changes

BCEA earnings threshold increase

From March 2021, the BCEA earnings threshold will increase from R205 433.30 per annum to R211 596.30 per annum. Therefore, employees earning in excess of R211 596.30 per annum are excluded from section 9, 10, 11, 12, 14, 15, 16, 17(2) and 18(3) of the BCEA.

For the purpose of this, **"earnings"** means the regular annual remuneration before deductions i.e. income tax, pension, medical and similar payments but excluding similar payments (contributions) made by the employer in respect of the employee: Provided that subsistence and transport allowances received, achievement awards and payments for overtime worked shall not be regarded as remuneration.

"Remuneration" is defined in the BCEA (Basic Conditions of Employment Act) as any payment in money or in kind, or both in money and in kind, made or owing to any person in return for that person working.

National Minimum Wage increase

From March 2021, the National Minimum Wage rates will increase –

- from R20.76 to R21.69 per hour,
- from R18.68 to R21.69 per hour for farm workers,
- from R15.57 to R19.09 per hour for domestic workers,
- from R11.42 to R11.93 per hour for workers employed on the expanded public works programme, and
- for workers who have concluded learnership agreements contemplated in section 17 of the Skills Development Act, new rates are indicated in Schedule 2 of the Government Gazette.

Impact on ETI (Employment Tax Incentive):

One of the requirements for an employee to qualify for ETI is that the employee must earn at least the minimum wage, which is –

- the higher of –
  - the applicable minimum wage according to the National Minimum Wage Act, or
  - the applicable minimum wage according to the wage regulating measure (i.e. collective agreement, bargaining council or sectoral determination), or
- if none of the above is applicable (i.e. no wage regulating measure is applicable and the employer is exempt from the National Minimum Wage after successful application), then the employee must earn a monthly wage of at least R2 000 for a full month (160 ordinary employed and remunerated hours).

The employer must confirm that the correct minimum wage rate per hour is processed for each employee from 1 March 2021, to ensure the correct 'minimum wage test for ETI' is applied by the system.

Sources

Income Tax Act

Employment Tax Incentive Act

Taxation Laws Amendment Act, 2020

Tax Administration Laws Amendment Act, 2020

Explanatory Memorandum on the Taxation Laws Amendment Bill, 2020

Memorandum on the Object of the Tax Administration Laws Amendment Bill, 2020

Final Response Document on Taxation Laws Amendment Bill, 2020 and Tax Administration Laws Amendment Bill, 2020

National Minimum Wage Act

Government Gazette 44136

Government Gazette 44137

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