



Budget Speech 2022/2023
All you need to know

sage

CONTENTS

Tax tables and rates for 2022/2023 (year of assessment ending 28 February 2023)

Income tax table: Individuals and special trusts

| Taxable income | Rates of tax |
|-----------------------|---------------------------------------------------|
| R1 – R226 000 | 18% of taxable income |
| R226 001 – R353 100 | R40 680 + 26% of taxable income above R226 000 |
| R353 101 – R488 700 | R73 726 + 31% of taxable income above R353 100 |
| R488 701 – R641 400 | R115 762 + 36% of taxable income above R488 700 |
| R641 401 – R817 600 | R170 734 + 39% of taxable income above R641 400 |
| R817 601 – R1 731 600 | R239 452 + 41% of taxable income above R817 600 |
| R1 731 601 and above | R614 192 + 45% of taxable income above R1 731 600 |

Rebates

| | |
|---------------------------------------------|---------|
| Primary rebate (persons under 65) | R16 425 |
| Secondary rebate (persons of 65 – 74 years) | R9 000 |
| Tertiary rebate (persons 75 and older) | R2 997 |

Tax thresholds

| The tax thresholds at which liability for normal tax commences, are: | |
|----------------------------------------------------------------------|----------|
| Persons under 65 | R91 250 |
| Persons of 65 – 74 years | R141 250 |
| Persons 75 and older | R157 900 |

Medical scheme fees tax credits

| | |
|---------------------------|------|
| Main member | R347 |
| First dependant | R347 |
| Each additional dependant | R234 |

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, R493 per day/part of a day;
- incidental costs only, R152 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 2022/2023, therefore, the rates remain unchanged. Where the recipient only spends a day or part of a day away from his/her usual place of employment/work in South Africa for work purposes and all qualifying conditions are met, an amount equal to R152 per day or part of a day is deemed to have been expended for meals and incidental costs.

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 |

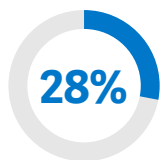
* Currently, no new rates have been published for 2022/2023, therefore the rates remain unchanged, however, new rates may still be published.

Prescribed rate for reimbursive kilometres

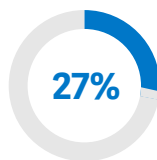
Currently, no new rate has been published for 2022/2023, therefore the rate remains unchanged at R3.82, however, a new rate may still be published.

Personal service provider rates

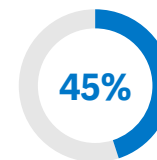
A personal service provider is taxed at a rate of:



For companies with years of assessment ending on any date between 1 April 2022 and 30 March 2023.



For companies with years of assessment ending on any date on or after 31 March 2023.



For a personal service provider trust (remains unchanged).

Employment Tax Incentive Increase

The Minister of Finance proposed an increase of 50% to the incentive amounts effective 1 March 2022.

| Monthly Remuneration | First 12 Incentive Months | Next 12 Incentive Months |
|----------------------|------------------------------------------------------------|-----------------------------------------------------------|
| R0 – R1 999.99 | 75% of monthly remuneration | 37,5% of monthly remuneration |
| R2 000 – R4 499.99 | R1 500 | R750 |
| R4 500 – R6 499.99 | Formula: R1 500 – (0.75 x (monthly remuneration – R4 500)) | Formula: R750 – (0.375 x (monthly remuneration – R4 500)) |

Payroll tax and other important amendments

This section explains the most important amendments according to the Taxation Laws Amendment Act, 2021 and the Tax Administration Laws Amendment Act, 2021 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 2022, except where mentioned otherwise.

Explanation of changes affecting the system

PAYE withholding from annuities/pension

Currently, if a taxpayer is 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 (usually at normal PAYE withholding rates). 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.

To assist in alleviating the financial burden for the taxpayer in this situation, the Act was amended to provide for a fund/insurer to apply for a directive in order for the age tax rebates to be disregarded and not be taken into account when determining PAYE. This would have been effective March 2022.

The Income Tax Act was amended again, therefore, from March 2022, SARS will indicate a fixed rate to be applied by the fund/insurer to determine the amount of PAYE to be withheld. This will only be applicable to persons who receive an amount of remuneration in addition to the annuity paid by the fund/insurer.

** This applies to payrolls of funds or insurers (under the Insurance Act) which are used to pay annuities to pensioners – therefore not employers in general.*

The rates of PAYE withholding provided by SARS apply in respect of the following IRP5 codes only:

- 3603 - Pension
- 3610 - Annuity from a Retirement Annuity Fund
- 3611 - Purchased Annuity
- 3618 - Annuity from a Provident Fund or a Provident Preservation Fund

The effective tax rate will be supplied via e@syFile, in a CSV format (more detail to follow). The employer does not apply for a directive, it will be applied by SARS automatically depending on the latest data available to SARS.

The pensioners may still request that additional PAYE be withheld, in which case the “voluntary PAYE deduction” flag (code 3195 - as per the current SARS PAYE BRS) will apply.

Pensioners may also request that PAYE be withheld at the normal PAYE rates, and not the rate provided by SARS, in which case the employer may do so (which may result in an additional tax liability on assessment for the pensioner).

The rate provided by SARS will be applicable for the entire tax year, unless the circumstances of the pensioner changes. In which case, the fund/insurer may revert to applying the normal PAYE withholding rates with effect from the month in which the fund/insurer becomes aware of the change in circumstances.

Refer to the SARS website for more information:

<https://www.sars.gov.za/latest-news/tax-directives-enhancements/>

Long service awards

Currently, a long service award is only exempt from tax if the award is in the form of an asset given to the employee and the value of the asset does not exceed R5 000. If it exceeds R5 000, the excess is subject to PAYE.

“Long service” is defined as an initial unbroken period of service of at least 15 years and any subsequent unbroken period of service of at least 10 years.

In practice, employers grant a wide variety of benefits in respect of long service, and if the award is in any form other than an asset, it would not qualify for the exemption.

From March 2022, in order to allow for a wider variety of benefits, a long service award provided in the form of:

- cash, and/or
- the right of use of an asset, and/or
- acquisition of an asset, and/or
- free or cheap services,

will be exempt from tax if the total of all these benefits do not exceed R5 000. If it exceeds R5 000, the excess will be subject to PAYE.

From March 2022, the full value of a long service award (exempt and taxable) must be reported against IRP5 code 3835.

Retirement fund fringe benefit – risk component

Currently, if a retirement fund is a defined contribution fund, the value of the fringe benefit is equal to the amount the employer contributes. If the fund has a risk component, it is classified as a defined benefit fund, in which case a formula is used to calculate the taxable fringe benefit value. An anomaly arises in instances where a retirement fund provides both a retirement benefit in relation to a 'defined contribution component' and a risk benefit.

From March 2022, to address this anomaly, it is proposed that these risk benefits be classified as a 'defined contribution component'.

This would ensure that retirement funds that provide both defined contribution component retirement benefits and risk benefits can account for the fringe benefit based on the actual contribution. As a result, the value of the risk premiums under self-insured risk benefits will be determined based on the cost to the employer (i.e. the actual contribution made by the employer).

Employers will have to ensure their type of fund is correctly set-up on the payroll, as confirmed with the Fund, as this will affect the fringe benefit calculation.

ETI - Definition of employee, qualifying criteria and monthly remuneration

Currently, the definition of an employee in terms of the Employment Tax Incentive Act is a natural person,

- who works for another person; and
- who receives, or is entitled to receive remuneration, from that other person but does not include an independent contractor.

National Treasury became aware of schemes where the employment tax incentive is claimed by employers, for employees who do not work for them, but are rather involved in studying.

In order to address this abuse, the definition of employee will change to the following effective March 2022:

A natural person who –

- works for another person; and who in any other manner assists in carrying on or conducting the business of that other person;
 - receives, or is entitled to receive remuneration, from that other person, and
 - is documented in the records of that other person as envisaged in the record keeping provisions in section 31 of the Basic Conditions of Employment Act,
- but does not include an independent contractor.

From March 2022 an additional provision will be added to qualify for ETI:

“Provided that the employee is not, in fulfilling the conditions of their employment contract during any month, mainly involved in the activity of studying, unless the employer and employee have entered into a learning programme as defined in section 1 of the Skills Development Act, 1998 (Act No. 97 of 1998), and, in determining the time spent studying in proportion to the total time for which the employee is employed, the time must be based on actual hours spent studying and employed.”

Therefore, effective from 1 March 2022, it means that ‘work’ must actually be performed in terms of an employment contract and the employee should not mainly be involved in the activity of studying (unless entered into a learnership agreement). The employee must also be documented in the employer’s records as envisaged in the record keeping provisions of the BCEA, for ETI to be claimed.

Employers must ensure they claim ETI only for employees who work for them and who aren’t mainly involved in the activity of studying, unless it is in terms of a registered learnership agreement.

In addition to the above, a provision will be added to the definition of remuneration effective 1 March 2022:

“Provided that in determining the remuneration paid or payable, an amount other than a cash payment that is due and payable to the employee after having accounted for deductions in terms of section 34(1)(b) of the Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997), must be disregarded.”

More detail regarding the impact of this change will be communicated.

Explanation of changes not affecting the system

Learnership Tax Incentive

Currently the learnership tax incentive will end on 1 April 2022. The effectiveness of the incentive will need to be assessed before this date to determine whether it continues. In the 2021 Budget Review, the Minister of Finance announced that the incentive would be extended by a further two years beyond its current sunset date while a review is completed. This date is therefore extended to 2024.

Tax certificates and penalties

Currently SARS may impose penalties when the employer under deducted PAYE and under paid SARS as a result of understating fringe benefits on the tax certificates. SARS may also impose penalties if an employer did not reflect the nature of the benefit and the cash equivalent of the value thereof on the tax certificate. Thus, 2 penalties for the same understatement.

Effective from 1 March 2022, this double penalty will be removed.

Penalty – Non-submission of EMP501 declaration

Currently where an employer has not submitted an EMP501 declaration, SARS may impose a penalty which is a percentage of the employee's tax for the period covered by the return. However, if the PAYE is not known by SARS, the penalty can only be raised retrospectively once the reconciliation is submitted.

Therefore, effective from 1 March 2022, SARS will be able to raise an estimated penalty based on data which is available to SARS if the employer does not submit the reconciliation and will adjust the penalty based on the actual employee taxes once submitted.

Other important amendments

BCEA earnings threshold increase

From March 2022, the BCEA earnings threshold will increase from R211 569.30 per annum to R224 080.48 per annum. Therefore, employees earning in excess of R224 080.48 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 2022, the National Minimum Wage rates will increase –

- from R21.69 to R23.19 per hour,
- from R21.69 to R23.19 per hour for farm workers,
- from R19.09 to R23.19 per hour for domestic workers,
- from R11.93 to R12.75 per hour for workers employed on an 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 2022, to ensure the correct 'minimum wage test for ETI' is applied by the system.

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Sources

Income Tax Act

Employment Tax Incentive Act

Taxation Laws Amendment Act, 2021

Tax Administration Laws Amendment Act, 2021

Explanatory Memorandum on the Taxation Laws Amendment Bill, 2021

Explanatory Summary of the Tax Administration Laws Amendment Bill, 2021

Final Response Document on Taxation Laws Amendment Bill, 2020 and Tax Administration Laws Amendment Bill, 2021

Basic Conditions of Employment Act

National Minimum Wage Act

Government Gazette 45882

Government Gazette 45880

National Budget Speech 2022

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