

# Budget 2020: How it may affect you

## Your everyday finances and investments

### Your everyday finances

#### Tax on what you earn

**Personal income tax** (increase in personal income tax brackets and rebates of 5,2%)  
Maximum personal income tax rate: 45%

#### Rebates

Primary	Secondary	Tertiary
R14 958	R8 199	R2 736
▲ R738	▲ R405	▲ R135

#### Tax thresholds

< 65 years	65+ years	75+ years
R83 100	R128 650	R143 850
▲ R4 100	▲ R6 350	▲ R7 100

#### Foreign employment income tax exemption

From 1 March 2020 South African residents who spend more than 183 days (of which 60 days are continuous) in employment outside of the country will be subject to South African income tax on any foreign employment income that exceeds R1,25 million (increased from the proposed R1 million).

### What you spend

**VAT** (unchanged)  
15%

#### Fuel taxes (effective 1 April 2020)

General fuel levy	RAF levy
▲ 16 c/litre	▲ 9 c/litre

**Carbon tax** (unchanged)

Petrol	Diesel
7 c/litre	8 c/litre

#### Medical tax credits (2,9% increase in the value of tax credits in 2020/2021 to help fund the rollout of National Health Insurance over the medium term)

Main member	Main member with one dependant
▲ R319 (up by R9)	▲ R638 (up by R18)
Main member with two dependants	Each additional dependent
▲ R853 (up by R24)	▲ R215 (up by R6)

### 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

Annual contribution limit from 1 March 2020: R36 000 (up by R3 000)

**Annual donations relief** (unchanged)  
Exemption of R100 000

#### Exchange control

(Current limits remain until proposed exchange control reforms are implemented)

#### Individual foreign investment allowance

- R10 million foreign investment allowance
- R1 million annual discretionary allowance

#### Institutional foreign investment allowances (asset swap investments)

Offshore limits for funds under management by institutional investors:

- Retirement funds: 30%
- Collective investment schemes and investment managers: 40%
- Institutional investors may invest up to 10% in Africa

#### Loop structures

Loop structures are when a South African resident holds a South African asset indirectly through a non-resident entity.

- Loop structure provision is 40% for bona fide business investment, growth and expansion transactions.
- From 30 October 2019 (in respect of structures formed on or after this date), private individuals may, individually or collectively, acquire up to 40% equity and/or voting rights in a foreign target entity (excluding a trust) that may invest or make loans into South Africa.

### 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 tax (SA)** (unchanged)  
20%

**Foreign dividends tax** (unchanged)

**Withholding tax** (unchanged)

### Your business

**Corporate tax** (unchanged)  
28%

#### Restructure of the corporate income tax system

To promote economic growth a restructure of the corporate income tax system is proposed in the medium term by broadening the tax base and reducing the corporate income tax rate. As part of broadening the corporate income tax base, government proposes to restrict the offset of assessed losses carried forward to 80% of taxable income for years of assessment starting on or after 1 January 2021.

## Highlights

**VAT**  
15%  
(unchanged)



### Personal income tax

**5,2%** rebates and personal income tax brackets



**Corporate tax**  
28%  
(unchanged)



### Estate duty rate

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



### Donations tax rate

- **20%** on donations less than R30 million (unchanged)
- **25%** on donations exceeding R30 million (unchanged)



### Fuel taxes

- General fuel levy – 16 c/litre
- RAF levy – 9 c/litre (effective 1 April 2020)



### Carbon tax

- Petrol – 7 c/litre
- Diesel – 8 c/litre (unchanged)



### Property transfer duty

Brackets to calculate transfer duties on the sale of property, adjusted from 1 March 2020. Properties up to R1 million are now exempt from transfer duties.



## Proposals in the pipeline

### Exchange control reforms

**For individuals: removal of exchange controls, strengthening of the tax treatment, and a stricter verification process**

These changes will increase transparency and reduce burdensome and unnecessary administrative approvals.

- Individuals who transfer more than R10 million offshore will be subject to a more stringent verification process and a risk management test.
- The concept of emigration, as recognised by the South African Reserve Bank, will be phased out.
- Individuals who are emigrants will be able to invest, borrow and have bank accounts in South Africa in the same way that residents can.
- The rules that determine when you can take your retirement savings out of the country are yet to be determined and will come into effect on 1 March 2021.
- If you wish to move the ownership of a dual-listed share from the JSE to its international exchange, you will pay capital gains tax or income tax.

### Trusts and tax

The use of preference shares to avoid donations tax through trusts will be addressed.

### Collective Investment Schemes (unit trusts)

Treasury has raised concerns about perceived excessive trading within unit trusts and this will be reviewed during 2020/2021.

## Your future planning

### Your legacy

#### Donations tax (unchanged)

- Tax rate on donations exceeding R30 million: 25%
- Tax rate on donations less than R30 million: 20%
- Annual donations tax exemption: R100 000

#### Trusts tax rate (unchanged)

45%

#### Estate duty (unchanged)

- Dutiable estates below 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

- To encourage savings, capital preservation and annuitisation during retirement (regular income during retirement), retirement fund contributions that did not qualify for tax exemption at the time of contribution, will enjoy tax exemptions after retirement from 1 March 2020.
- Spousal pension payments received by a surviving spouse are currently subject to the employee tax by the retirement fund. From 1 March 2021 this monthly spousal pension will be subject to the employee tax being withheld at a specified flat rate.
- From 15 January 2020 payments currently held by fund administrators on behalf of deregistered retirement funds qualify as tax-free payments, provided they meet certain criteria.
- Retirement reform related to the harmonisation of all retirement benefits, including provident funds, will proceed. This will include improving oversight and governance of commercial umbrella funds, fund consolidation and auto-enrolment.
- It is specifically proposed that the deductions in respect of employer contributions to retirement funds be clarified.
- As part of the proposed exchange control reforms, the rules that will in future determine when you can take your retirement savings out of the country are yet to be determined. New rules will come into effect on 1 March 2021.