SIMEKA

member of Sanlam group

BUDGET REVIEW 2022/23

The Minister of Finance, Enoch Godongwana delivered a number of positive announcements in his budget speech on 23 February, all thanks to what looks like a significantly higher tax revenue than was previously expected for 2021/22.

The R181.95 billion tax revenue over-collection will primarily be used to reduce government debt which will help towards placing the country in a better fiscal position. It will also be used towards supporting ongoing social grants and provide a small amount of tax relief to boost consumer spending in an effort to stimulate the economy. Additional support is also to be provided to the health and education sectors and continuing the battle against crime and corruption.

Below we highlight a few matters that may be of interest to you as a member of a retirement fund:

THE FOLLOWING REMAINED UNCHANGED

VAT remains at **15%**

General fuel levy and **Road Accident Fund** levy

TAX-FREE SAVINGS

Tax-free savings account limit remains at **R36 000 p.a.**

CHANGES: MORE IN YOUR POCKET

Sanlam Tax Calculater

Taxable Income

	18% marginal rate	26% marginal rate	31% marginal rate
Current monthly salary *	R10 000	R25 000	R35 000
Current annual salary	R120 000	R300 000	R420 000
Annual tax using **2021** table	R5 886	R45 814	R80 300
Annual tax using **2022** table	R5 175	R43 495	R78 040
Tax Savings	**R711 p.a.**	**R1 495 p.a.**	**R2 260 p.a.**

We did not take into account any salary increases you may receive in 2022

Medical Tax Credits

Family of 2

2021 you received R664 p.m.
2022 you will receive R 694 p.m.

A saving of R30 p.m.

Family of 4

2021 you received R1 112 p.m.
2022 you will receive R1 162 p.m.

A saving of R50 p.m.

Average monthly social grants

	2021/22		2022/23
Old age	R1 890 p/month	5%	R1 985 p/month
Old age, over 75	R1 910 p/month	5%	R2 005 p/month
War veterans	R1 910 p/month	5%	R2 005 p/month
Disability	R1 890 p/month	5%	R1 985 p/month
Care dependency	R1 890 p/month	5%	R1 985 p/month
Foster care	R1 050 p/month	1.9%	R1 070 p/month
Child support	R460 p/month	4.3%	R480 p/month

Source: National Treasury

CHANGES: LESS IN YOUR POCKET

Unfortified Wine (750ml Bottle) **17c** Increase

Beer (340ml can) **11c** Increase

Cigarettes (packet of 20) **R1.03** Increase p/packet

Spirits (750ml) **R4.83** Increase p/bottle

1c per litre increase in the carbon tax on fuel from 8c to 9c effective 6 April

3c increase in plastic bags from 25c p/bag to 28c p/bag

- 0.1c increase in sugar tax on beverages
  from 2.21c p/gram to 2.31c p/gram effective 1 April

- **Government proposed a flat excise duty on nicotine and non-nicotine solutions.** The amount of the new tax on vaping proposed for implementation 2023 that is being considered is at least R2.90 p/millilitre

Other allocations

- **Special COVID-19 distress grant**
  Treasury has budgeted R44 billion for the 12-month extension of the R350 p/month

- **Combat against Youth Unemployment**
  The employment tax incentive increases by 50% (R1 000 to R1 5000 p/month) to help encourage companies to hire more young people

Retirement Reform

1 CHANGES TO REGULATION 28

Regulation 28 of the Pension Funds Act places certain limits on retirement funds when investing in particular asset classes. The main purpose of these restrictions is to protect members' retirement savings from the impact of poorly diversified investment portfolios.

What has changed?

In 2021 the Minister of Finance started the process of amending Regulation 28 to enable retirement funds to increase investments in infrastructure. Retirement funds will now be allowed to invest up to 45% offshore inclusive of the 10% allowed to be invested in other African countries.

This will make it easier for retirement funds to participate in infrastructure investments, which is crucial for our country's economic development and it gives asset managers more flexibility. This change is expected to come into effect in March 2022.

2 THE PROPOSED “TWO-POT” RETIREMENT SYSTEM

This proposed system will allow members to access a portion of their retirement savings in cash. However, the balance of your retirement savings must be preserved until retirement.

A work in progress.

Comments from the public must be reviewed and there is still a lot to be discussed by Government and the retirement fund industry around this proposal before a formal decision can be taken on whether or not it will be implemented and when.

3 RETIREMENT OF A PROVIDENT FUND MEMBER ON GROUNDS OTHER THAN ILL HEALTH

There is currently a restriction in the Income Tax Act which treats pension and provident fund members differently in that if a member of a provident fund who is younger than 55 goes on early retirement (other than ill health), their retirement savings is taxed as a withdrawal benefit rather than as a retirement benefit. While a pension fund member may retire before the age of 55 and their retirement savings will be taxed as a retirement benefit.

What is the solution?

Government has proposed that the Income Tax Act be amended to allow for equal tax treatment on all fund types.

This will include the correction of a shortcoming in the current tax legislation so that the transfer of contributions made to a pension fund before 1 March 2021, is tax-neutral when transferred to a provident or provident preservation fund.

4 COMPULSORY ANNUITISATION: THE PROTECTION OF VESTED RIGHTS WHEN TRANSFERRING TO A PUBLIC-SECTOR FUND

The annuitisation of provident funds came into effect 1 March 2021 (T-Day). This change ensures that going forward there will only be one type of benefit structure for retirement funds. It means that irrespective of whether you pay contributions to a provident or a pension fund, the position will be the same. Although the intention was to include all types of public-sector funds as well, it was overlooked, and it did not happen. Another shortcoming is that in terms of the current tax legislation, a member would forfeit their vested rights if they transferred to a public-sector fund.

What will change?

It is now proposed that the tax legislation be changed from 1 March 2022 to ensure that public-sector funds are included. Members can rest assured knowing that their vested portion will always be protected and tax-free if transferred to a new retirement fund arrangement, including a public-sector fund.