

BUDGET SPEECH 2020/2021

ALL YOU NEED TO KNOW

Tax tables 2020/2021 (year of assessment ending 28 February 2021)

Income tax: Individuals and special trusts

Taxable income	Rates of tax
0 – 205 900	18 % of taxable income
205 901 – 321 600	37 062 + 26% of taxable income above 205 900
321 601 – 445 100	67 144 + 31% of taxable income above 321 600
445 101 – 584 200	105 429 + 36% of taxable income above 445 100
584 201 – 744 800	155 505 + 39% of taxable income above 584 200
744 801 – 1 577 300	218 139 + 41% of taxable income above 744 800
1 577 301 and above	559 464 + 45% of taxable income above 1 577 300

Rebates

Primary rebate	R 14 958
Secondary rebate (persons 65 and older)	R 8 199
Tertiary rebate (persons 75 and older)	R 2 736

Tax thresholds

The tax thresholds at which liability for normal tax commences, are:

Persons under 65	R 83 100
Persons of 65 – 74 years	R 128 650
Age 75 and older	R143 850

Medical scheme fees tax credits

Main member	R 319
First dependant	R 319
Each additional dependant	R 215

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, 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;
- incidental costs only, R139.

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

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	31 332	105.8	37.4
95 001 – 190 000	55 894	118.1	46.8
190 001 – 285 000	80 539	128.3	51.6
285 001 – 380 000	102 211	138.0	56.4
380 001 – 475 000	123 955	147.7	66.2
475 001 – 570 000	146 753	169.4	77.8
570 001 – 665 000	169 552	175.1	96.6
exceeding 665 000	169 552	175.1	96.6

Prescribed rate for reimbursive kilometres

The SARS prescribed rate per kilometer increased from R3.61 to R3.98.

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).

SAGE KNOWS: Click [here](#) for everything you will need regarding this budget speech.



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Introduction

This document explains the most important amendments according to the Taxation Laws Amendment Act, 2019 and the Tax Administration Laws Amendment Act, 2019 affecting employers and employees. All changes are effective March 2020, except where mentioned otherwise.

Explanation of changes affecting the system

Employers to deduct PAYE from annuities

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.

Foreign employment income exemption

Currently: certain remuneration paid/accrued to a resident employee by any employer (of private sector companies only) in respect of employment services rendered for or on behalf of the employer in any country outside South Africa is exempt from PAYE/income tax if –

- the employee is outside South Africa for a period (or periods) exceeding 183 full days in any 12 months, and
- for a continuous period exceeding 60 full days in total in that period of 12 months.

From March 2020, certain remuneration paid/accrued to a resident employee by any employer (of private sector companies only) in respect of employment services rendered for or on behalf of the employer in any country outside South Africa will be exempt from PAYE if –

- that certain remuneration does not exceed one million rand for the tax year, and
- the employee is outside South Africa for a period (or periods) exceeding 183 full days in any 12 months, and
- for a continuous period exceeding 60 full days in total in that period of 12 months.

The Minister of Finance announced an increase in the exemption limit to R1.25 million per tax year during the 2020 budget speech. The increase in the exemption limit has not been promulgated.

SARS published an [FAQ document](#) and a [new Interpretation Note 16](#) to assist employees and employers to obtain clarity on certain practical and technical aspects relating to this amendment.

Resident employees who render services outside of South Africa often find themselves in a predicament regarding their tax affairs since a double tax situation may arise. In this case, the employer may (at his/her own discretion) apply for a different basis to calculate the amount of employees' tax to be withheld from the employee's remuneration, taking into account the potential foreign tax credit which may be claimed on assessment. The employer will apply for a directive ([IRP3\(q\)](#)). This is not the actual granting of the section 6quat credit and the employee is still required to submit an income tax return in which the actual foreign tax credit under section 6quat must be claimed.

For more information regarding the directive application, please click [here](#).

Please note that Sage will not calculate the exemption automatically due to numerous variables to be considered by employers. It will be the user's responsibility to apply the foreign employment income exemption on the payroll and report against the relevant IRP5 code.

Employment tax incentive – 'wage test' and the national minimum wage

For an employee to qualify for ETI, he/she must be paid at least the minimum wage (amongst other qualifying criteria, which is not changed by this amendment).

Before August 2019, an employee could qualify if he/she was paid:

- the minimum wage according to the wage regulating measure, or
- if no wage regulating measure was applicable, R2 000 per month for 160 employed and remunerated hours.

The National Minimum Wage Act became effective on 1 January 2019 with a minimum wage of:

- R20 per hour, R18 per hour for farm workers, R15 per hour for domestic workers, R11 per hour for workers employed in the public works programme and the minimum weekly allowances for learners, unless
- the employer is specifically exempt from the National Minimum Wage Act (for example, members of the South African National Defence Force), or the employer is granted exemption from the national minimum wage after successful application.

Backdating to August 2019, to align the ETI Act with the National Minimum Wage Act, the minimum wage requirements to possibly qualify for ETI were changed to:

The higher of -

- the national minimum wage, or
- the wage according to the wage regulating measure.

If none of the above is applicable (for example, the employer is exempt from the national minimum wage after successful application and there is no wage regulating measure), then R2 000 per month for 160 ordinary employed and remunerated hours should be used as the minimum wage.

Effective March 2020, the national minimum wage rates will be increased to R20.76 per hour, R18.68 per hour for farm workers, R15.57 for per hour for domestic workers, R11.42 per hour for workers employed on expanded public works programme, and the minimum wages contained in the table in [Schedule 2](#) for workers who have concluded learnership agreements contemplated in section 17 of the Skills Development Levies Act.

Explanation of changes not affecting the system

Tax free transfers from employer provident fund to employer pension fund

Before March 2019, an employee could not effect tax-free transfers from an employer provident fund to an employer pension fund immediately prior to retirement.

Backdating to March 2019, the amendment allows employees to effect tax-free transfers from an employer provided provident fund into an employer provided pension fund immediately prior to retirement, if both funds are provided by the same employer. It is possible that a new IRP5 code will be created to report this transfer.

Employers to keep records and furnish returns

Currently, if the employer does not submit a return by –

- such dates as prescribed by the Commissioner by notice in the Gazette, and
- if the employer ceases to carry on business or ceases to be an employer, within 14 days after the employer ceased to carry on business or ceased to be an employer,

the Commissioner may impose a penalty (which is a percentage based penalty imposed under Chapter 15 of the Tax Administration Act) for each month that the employer fails to submit a return which in total cannot exceed 10% of the total amount of employees' tax deducted or withheld or which should have been deducted or withheld by the employer from the remuneration of employees.

From 15 January 2020, the amendment clarifies that the penalty may also be imposed where the employer submits a return that is not in the prescribed form and manner (i.e. an incomplete return).

Variable remuneration

Remuneration is generally taxable on accrual or receipt/payment, whichever event occurs first. However, in the case of 'variable remuneration', PAYE must be withheld on the date which the amount is paid to the employee.

Currently, variable remuneration' is defined as only:

- overtime,
- bonuses,
- commission,
- an allowance or advance paid in respect of transport expenses such as a travel allowance, and
- leave paid out.

From 1 March 2020, the following items will be added to the definition of 'variable remuneration' and PAYE must be withheld when these amounts are paid to the employee:

- reimbursive travel allowance,
- any night shift allowance,
- any standby allowance, and
- certain business reimbursements.

Travel allowance/advance/reimbursement

According to section 7B, PAYE must be withheld from a travel allowance/advance/reimbursement when it is paid to an employee. However, there was an inconsistency when an employee claimed travel expenses on assessment for business travel; for example, when an employee travelled in February but was paid in March, the travel deduction for February could be claimed against the following year's travel allowance/advance/reimbursement. Therefore, a deduction was forfeited as the distance to which the allowance/advance/reimbursement paid related, was not travelled in the year of assessment the reimbursement was paid and the employee could not claim this specific business travel deduction on assessment.

From 15 January 2020, in order to correct this inconsistency, the amendment aligns a person's kilometres travelled for business with the payment of the allowance/advance/reimbursement received in relation to the said travel.

Annuities from provident fund

Currently, there is no exemption for non-deductible contributions for provident and provident preservation funds when determining the taxable portion of annuities.

From March 2020, any non-deductible contributions will be allowed as an exemption when determining the taxable portions of annuities.

Right of use of motor vehicle – determined car value

To calculate the right of use of motor vehicle fringe benefit value, the 'determined value' of the motor vehicle must be used in the formula.

From March 2015, the value to be used as the 'determined value' is the 'retail market value' as determined by the Minister in a regulation. The regulation is only applicable to vehicles acquired or manufactured from March 2015. Please see [Government Gazette 38744](#), published on 28 April 2015, for more information. However, there is an anomaly in this regulation – it does not make provision for a 'retail market value' where an employer (who is not a motor vehicle manufacturer, motor vehicle importer, motor vehicle dealer or motor vehicle rental company) acquired the motor vehicle at no cost (for example a donation).

On 17 January 2020, a new regulation was published by the Minister of Finance, which is **effective March 2020**. This regulation will amend this anomaly and clarify that where the employer is not a motor vehicle manufacturer, motor vehicle importer, motor vehicle dealer or motor vehicle rental company, in respect of any year of assessment, and the motor vehicle was acquired at no cost, the market value of that vehicle must be used as the 'retail market value' to calculate the taxable value.

Please see [Government Gazette 42961](#) for more information.

Employment Tax Incentive – special economic zone (SEZ)

Both the Income Tax Act (ITA) and Employment Tax Incentive Act (ETIA) allows special tax incentives for companies that operate (carry on a business) within a SEZ. In order to be a qualifying employee for ETI, certain criteria must be met. One of the criteria is that the employee must be 18 to 29 years old on the last day of the calendar month, unless the employee renders services mainly within a SEZ to an employer who operates through a fixed place of business within a SEZ, then the employee can be any age.

In order to qualify for the tax incentive in terms of the Income Tax Act, the employer must meet certain requirements, however, the Employment Tax Incentive Act does not make provision for the same requirements.

From March 2020, in order to ensure that the SEZ policy is applied in a uniform manner in both the Income Tax Act and Employment Tax Incentive Act,

- the definition of 'special economic zone' will be amended to align with the definition in the Income Tax Act, and,
- it will be clarified that in order to claim ETI for employees of any age due to the SEZ criteria, the company should be a qualifying company as contemplated in the Income Tax Act under the SEZ regime and the employee renders services to that employer mainly within the special economic zone in which the qualifying company that is the employer carries on trade.

It is possible that certain employers will no longer be a qualifying company (for SEZ purposes) and the user must make the required adjustments on the system.

Skills Development Levy – Registration for payment of levies

From 15 January 2020, the amendment clarifies that the Director General of the Department of Higher Education and Training, instead of SARS, is regarded as the person most capable of evaluating whether or not an employer has been classified under the jurisdiction of the correct SETA. This amendment subsequently allows the Director-General to direct that a SETA selection by an employer is not binding in certain circumstances.

Skills Development Levy – Payment of levy to SETA and refund

From 15 January 2020, the amendment aligns the refund provisions in the Skills Development Levies Act with section 190(4) of the Tax Administration Act. Therefore, a refund (levy, interest or penalty) in terms of the Skills Development Levies Act must be made by the SETA (or approved body from the funds of the SETA) within five years from the date the payment was made or where that refund was claimed by the employer within the five year period, but not paid by the SETA within that period.

Unemployment Insurance Contribution – Payment of contribution to Unemployment Insurance Commissioner and refund

From 15 January 2020, the amendment aligns the refund provisions in the Unemployment Insurance Contributions Act with section 190(4) of the Tax Administration Act. Therefore, a refund (contribution, interest or penalty) in terms of the Unemployment Insurance Contributions Act must be made by the Unemployment Insurance Commissioner from the Unemployment Insurance Fund within five years from the date the payment was made or where that refund was claimed by the employer within the five year period, but not paid by the Fund within that period.

Sources

Income Tax Act

Employment Tax Incentive Act Taxation Laws Amendment Act, 2019

Tax Administration Laws Amendment Act, 2019

Explanatory Memorandum on the Taxation Laws Amendment Bill, 2019 Memorandum on the Object of the Tax Administration Laws Amendment Bill, 2019

Final Response Document on Taxation Laws Amendment Bill, 2019 and Tax Administration Laws Amendment Bill, 2019 Government Gazette 42961

Government Gazette 38744

Government Gazette 43026

National Budget Speech 2020

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