

# Budget and Tax Update 2021

**Presented by:**

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# About Nexia SAB&T

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- Established in 1994
- 9 offices throughout South Africa
- 8th largest audit firm in South Africa
- Over 500 team members
- 36 directors
- Level 1 B-BBEE status

## Professional Memberships / Accreditation



JSE  
accredited  
audit firm



9th ranked  
Global Network



2017  
Standard Bank Top  
Women Awards  
"Top Male Driving  
Gender  
Empowerment  
Award" Winner



2018/2019  
Accounting Professional  
of the Year  
SAPSA Award  
Winner



2019/2020  
SAPSA Award Winner  
"Firm of the Year:  
Accounting Class".



2019  
Digital Accountancy Forum and  
International  
Accounting Bulletin:  
"Communication  
Campaign of the Year"



2019  
SAGE  
"FY19 High Growth Firm  
of the Year"



2019  
Winner of the  
"Nexia International  
Firm of the Year"  
Award



2018/19/20  
Voted by PMR.africa  
"Company / Institution  
Conducting Business in the  
Most Ethical Way",  
Gauteng region



2019  
Voted by PMR.africa  
"Institutions Doing Most  
to Enhance the  
Interest of Women".



2019/20  
Voted by PMR.africa  
"Overall Accounting /  
Auditing Firms".



2019/20  
Voted by PMR.africa  
"Overall Business  
Consultants".



2020  
Voted by PMR.africa  
Limpopo Province  
"Overall Business  
Consultants".



2020  
Voted by PMR.africa  
Limpopo Province  
"Overall Accounting /  
Auditing Firms".



- Programme / Project Management
- Business Continuity
- Asset Management
- Valuations
- Financial Management
- Forensic Investigations
- Business Improvement / Process Re-engineering
- Transaction Advisory & Corporate Finance
- Procurement Management & Probity Investigations
- Information Technology
- Special Investigations
- Performance Auditing
- Statutory
- Non Financial
- Forensic
- Internal audit
- Monthly Management Reporting
- Reconciliations
- Financial Statement Preparation
- Data Capturing
- Compliance: Corporate and Personal
- Tax Planning
- Estate Planning
- Tax Optimisation
- Situational Analysis: Assessment of companies in distress
- Restructuring – various options
- Due Dilligence & Forensic services
- Distressed Mergers & Acquisitions
- Insolvency Practitioners
- Asset Tracings
- Business Rescue Practitioners
- Risk Assessments
- Compliance Audits
- Governance Reviews
- Risk Management Frameworks
- ERP/BI Rollout
- Graphical SOP's
- Robotics Process Automation
- Implementing IT Tools for various processes
- Project Management Office for Integration
- Aligning IT Systems

# Budget 2021: South Africa - Recap of 2020 Predictions

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## 2020 Prediction

## Prediction Realised



Service Delivery Issues



More Bailouts



Falling currency



Ratings Downgrade



Increased Debt



Limited Options for Tito





And the world as we know it  
changed ...  
And everything we thought we  
knew went out the window!!!

## COVID 19

- Lockdowns - impacting economy
- Job losses
- Support Packages
- UIF - TERS
- Government guaranteed loans
- Economic Contraction
- Increased Government Debt
- Emergency Procurement - PPE
- Pressure on Health system
- Corruption!!!

And then...

We made more predictions and speculations for the 2021 Budget

## Growing budget deficit

- Growing debt / interest burden

## Plugging the gap **directly**:

- Increased taxes for the HNWI
- Introduce Solidarity levy
- Tax all Capital Gains – remove the inclusion rate

## Plugging the gap **indirectly**:

- Increase Sin Taxes - Alcohol and Tobacco
- Increase fuel levies
- Increase sugar taxes





## What are we getting?

### BUDGET FRAMEWORK

- The budget deficit has been revised to 14 per cent of GDP in 2020/21 in response to the spending and economic pressures of the COVID-19 pandemic.
- Gross debt has increased from 65.6 per cent to 80.3 per cent of GDP for the year 2020/21.
- The 2021 Budget proposes measures to narrow the main budget primary deficit from 7.5 per cent of GDP in the current year to 0.8 per cent in 2023/24.
- The proposed fiscal framework will stabilise debt at 88.9 per cent of GDP in 2025/26.
- Government will roll out a free mass COVID-19 vaccination campaign for which R9 billion has been allocated in the medium term.
- Over the medium term, debt-service costs are expected to average 20.9 per cent of gross tax revenue.

## CONSOLIDATED GOVERNMENT FISCAL FRAMEWORK

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24
	Revised estimate	Medium-term estimates		
<b>Revenue</b>	<b>1 362.7</b>	<b>1 520.4</b>	<b>1 635.4</b>	<b>1 717.2</b>
	27.7%	28.4%	28.9%	28.6%
<b>Expenditure</b>	<b>2 052.5</b>	<b>2 020.4</b>	<b>2 049.5</b>	<b>2 095.1</b>
	41.7%	37.7%	36.2%	34.9%
<b>Budget balance</b>	<b>-689.8</b>	<b>-500.0</b>	<b>-414.1</b>	<b>-377.9</b>
	-14.0%	-9.3%	-7.3%	-6.3%
<b>Gross domestic product</b>	<b>4 921.0</b>	<b>5 352.2</b>	<b>5 666.3</b>	<b>5 997.2</b>





# Where Are We Spending

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## CONSOLIDATED GOVERNMENT EXPENDITURE BY FUNCTION, 2020/21-2023/24

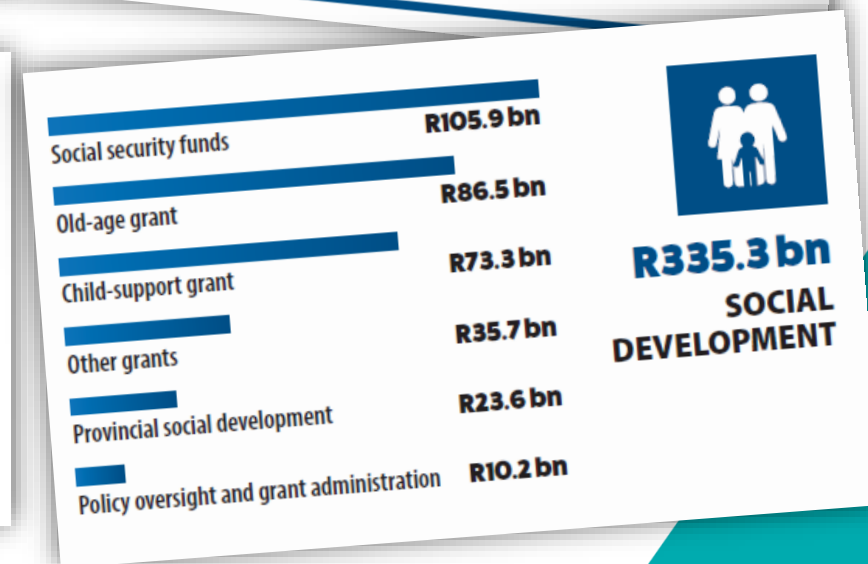
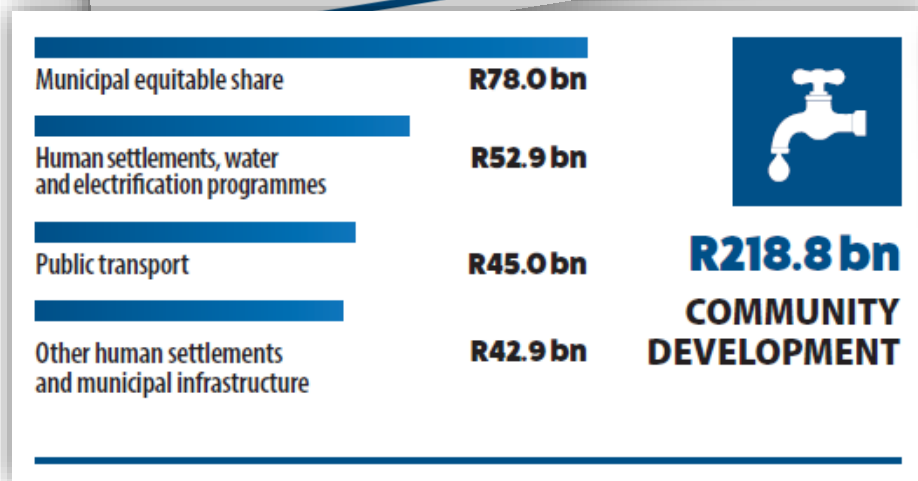
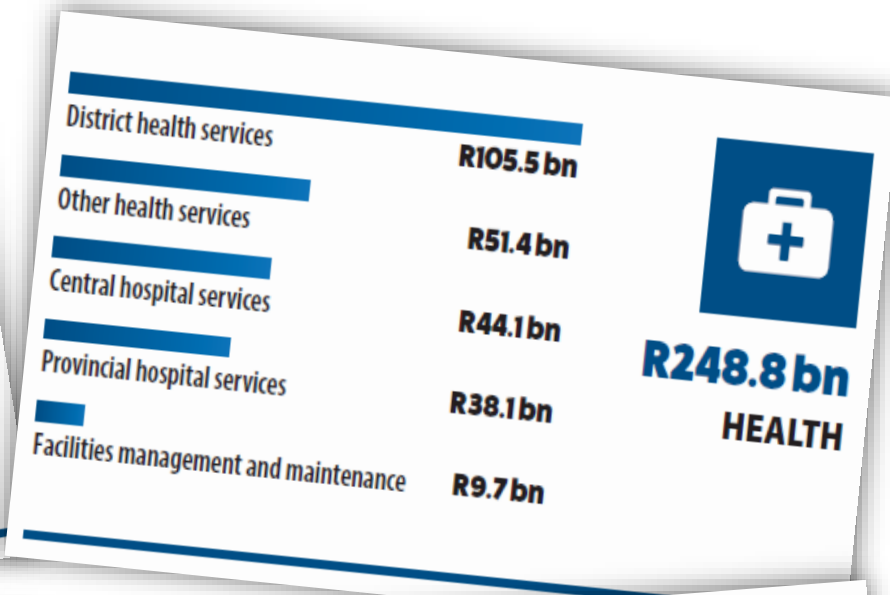
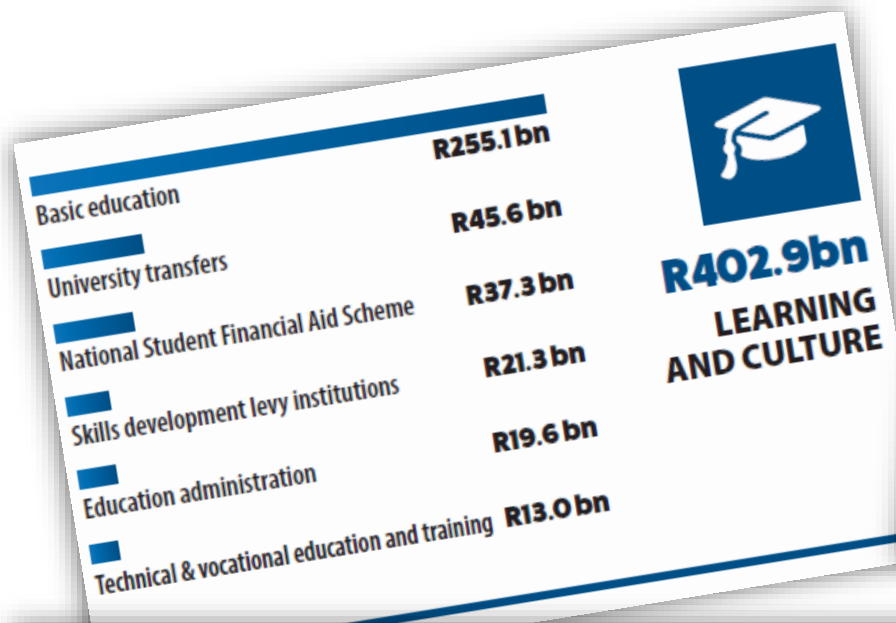
R billion	2020/21	2021/22	2022/23	2023/24	2020/21– 2023/24
	Revised estimate	Medium-term estimates			Average growth (excl. COVID-19)
Learning and culture	387.2	402.9	411.0	416.0	2.7%
Health	247.0	248.8	245.9	245.0	2.5%
Social development	413.3	335.3	326.2	325.2	2.4%
Community development	211.5	218.8	234.0	240.7	5.6%
Economic development	191.9	207.5	210.9	217.2	5.0%
Peace and security	218.6	208.6	212.9	213.4	-0.1%
General public services	62.5	68.4	68.5	69.1	3.5%
Payments for financial assets	87.6	48.2	27.2	24.9	
<b>Allocated expenditure</b>	<b>1 819.6</b>	<b>1 738.6</b>	<b>1 736.5</b>	<b>1 751.6</b>	<b>1.6%</b>
Debt-service costs	232.9	269.7	308.0	338.6	
Contingency reserve	–	12.0	5.0	5.0	
<b>Consolidated expenditure</b>	<b>2 052.5</b>	<b>2 020.4</b>	<b>2 049.5</b>	<b>2 095.1</b>	<b>3.3%</b>



**It is...**

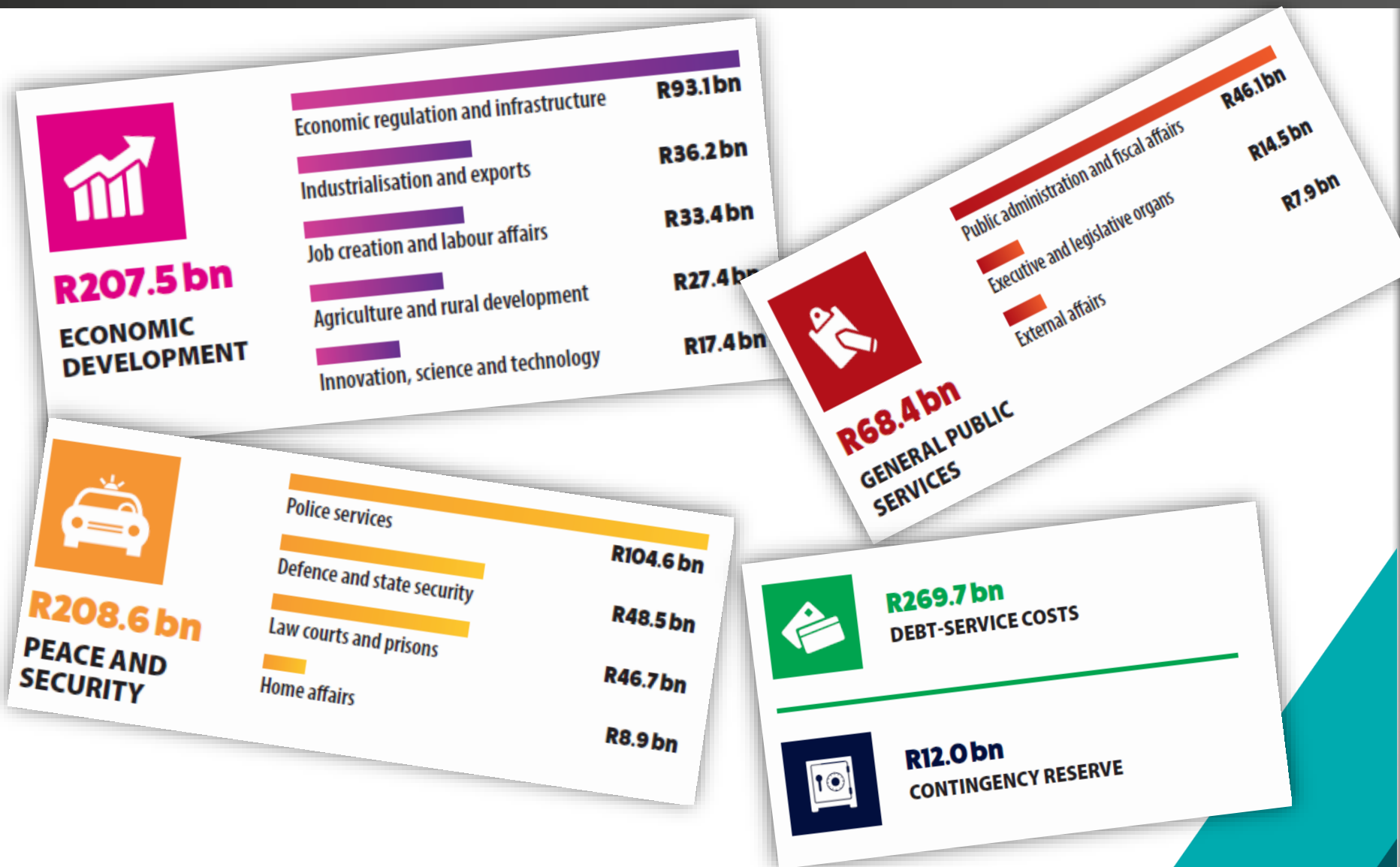
# Where Are We Spending - Social Services

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# Where Are We Spending - Other

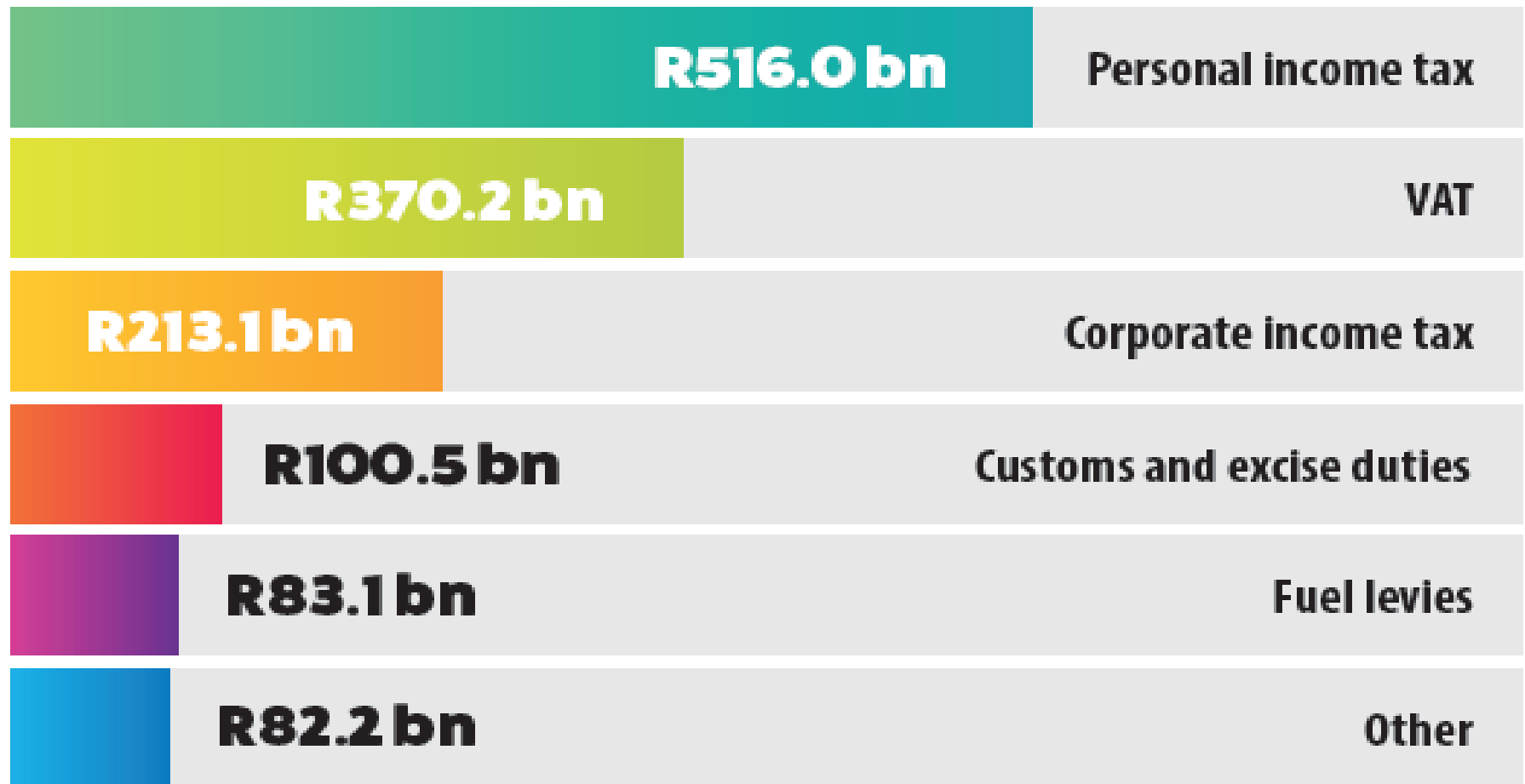
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## TAX PROPOSALS

- To support economic recovery, government will not raise any additional tax revenue in this budget.
- The personal income tax brackets and rebates will increase above the inflation rate of 4 per cent.
- Government will increase excise duties on alcohol and tobacco by 8 per cent for 2021/22.
- Inflation-related increases of 15c/litre and 11c/litre will be implemented for the general fuel levy and the RAF levy, respectively, with effect from 7 April 2021.
- The UIF contribution ceiling will be set at R17 711.58 per month from 1 March 2021.

## TAX REVENUE, 2021/22



**Table 4.4 Personal income tax rates and bracket adjustments**

Taxable income (R)	2020/21 Rates of tax	Taxable income (R)	2021/22 Rates of tax
R0 - R205 900	18% of each R1	R0 - R216 200	18% of each R1
R205 901 - R321 600	R37 062 + 26% of the amount above R205 900	R216 201 - R337 800	R38 916 + 26% of the amount above R216 200
R321 601 - R445 100	R67 144 + 31% of the amount above R321 600	R337 801 - R467 500	R70 532 + 31% of the amount above R337 800
R445 101 - R584 200	R105 429 + 36% of the amount above R445 100	R467 501 - R613 600	R110 739 + 36% of the amount above R467 500
R584 201 - R744 800	R155 505 + 39% of the amount above R584 200	R613 601 - R782 200	R163 335 + 39% of the amount above R613 600
R744 801 - R1 577 300	R218 139 + 41% of the amount above R744 800	R782 201 - R1 656 600	R229 089 + 41% of the amount above R782 200
R1 577 300 and above	R559 464 + 45% of the amount above R1 577 300	R1 656 600 and above	R587 593 + 45% of the amount above R1 656 600
<b>Rebates</b>		<b>Rebates</b>	
Primary	R14 958	Primary	R15 714
Secondary	R8 199	Secondary	R8 613
Tertiary	R2 736	Tertiary	R2 871
<b>Tax threshold</b>		<b>Tax threshold</b>	
Below age 65	R83 100	Below age 65	R87 300
Age 65 and over	R128 650	Age 65 and over	R135 150
Age 75 and over	R143 850	Age 75 and over	R151 100

Source: National Treasury



## Projected state debt and debt-service costs

R billion/percentage of GDP	2020/21	2021/22	2022/23	2023/24
Gross loan debt	3 949.7	4 382.8	4 819.9	5 234.5
	80.3%	81.9%	85.1%	87.3%
Debt-service costs	232.9	269.7	308.0	338.6
	4.7%	5.0%	5.4%	5.6%



# Where is the Tax coming from?

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## Estimates of individuals and taxable income, 2021/22

Taxable bracket	Registered individuals		Taxable income		Income tax payable before relief		Income tax relief after proposals		Income tax payable after proposals	
R thousand	Number	%	R billion	%	R billion	%	R billion	%	R billion	%
R0 - R80 <sup>1</sup>	7 183 913	—	256.2	—	—	—	—	—	—	—
R80 - R150	1 855 292	26.7	211.1	8.6	15.7	3.0	-1.3	9.4	14.5	2.8
R150 - R250	1 691 889	24.3	329.3	13.4	29.5	5.6	-1.8	13.4	27.7	5.4
R250 - R350	1 283 954	18.4	378.4	15.4	54.5	10.3	-2.3	16.8	52.2	10.1
R350 - R500	981 993	14.1	409.1	16.6	76.6	14.5	-2.6	19.5	74.0	14.3
R500 - R750	612 177	8.8	369.1	15.0	88.4	16.7	-2.4	18.1	86.0	16.7
R750 - R1 000	262 643	3.8	226.2	9.2	65.1	12.3	-1.3	10.0	63.8	12.4
R1 000 - R1 500	159 127	2.3	191.1	7.8	61.9	11.7	-0.8	6.1	61.0	11.8
R1 500 +	113 192	1.6	346.3	14.1	137.7	26.0	-0.9	6.6	136.8	26.5
<b>Total</b>	<b>6 960 267</b>	<b>100.0</b>	<b>2 460.7</b>	<b>100.0</b>	<b>529.4</b>	<b>100.0</b>	<b>-13.4</b>	<b>100.0</b>	<b>516.0</b>	<b>100.0</b>
<b>Grand total</b>	<b>14 144 180</b>		<b>2 716.8</b>		<b>529.4</b>		<b>-13.4</b>		<b>516.0</b>	

1. Registered individuals with taxable income below the income-tax threshold

Source: National Treasury

In a recent webinar, Dr Azar Jammie of Econometrix estimated that 5,8% of the South African population pay the following:

- 92% of Total Personal Income Tax
- 85% of Total VAT

# Budget Highlights..... or Lowlights

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- R40bn in anticipated tax increases not materialized
- R13,4 billion tax relief through increase in brackets and rebates
- Increase in medical tax credits = R9 - R13 per month
- COVID Provisional Tax relief - 35% of 2nd payment 2021 deferred to September 2021
- Increase in fuel levy - 27cents/litre
  - 15c general fuel levy
  - 11c RAF levy
  - 1c Carbon Tax Levy



- Sin Taxes - alcohol and tobacco - increase by 8%
  - Heated Tobacco included
  - Vapes to be taxed
- Environmental taxes
  - Plastic bag levy for bio-based plastic bags to reduce to 12,5c/bag
- Unemployment Insurance Fund
  - UIF contribution ceiling to increase to be based on earnings of R17 711.58/month



# Budget Highlights..... or Lowlights

- State Wage bill to be cut through limitation of increases over the next 3 years to 2,1%, 0,9% and 0,5%
- Social grants increased by 1,6% or R30/month to R1 890/month
- Venture Capital Company Tax Incentives
  - To be discontinued after 30 June 2021
- Work from home
  - Travel Allowances and home office expenses to be reviewed
- Improving Compliance - Dedicated Unit to investigate:
  - Individuals with complex tax arrangements
  - Abuse of Transfer Pricing and Tax base erosion

# Budget Highlights..... or Lowlights

- Anti-avoidance rules in respect of Trusts - Section 7C



- Corporate Tax Rate to be reduced by 1% from April 2022





- Background to Section 7C

- Anti-avoidance measures introduced in 2016 effective 1 March 2017
- To peg the growth of personal assets to avoid estate duty

- Mechanics of Section 7C

- Loans granted by a natural person to a trust where the person is connected to the trust
- Interest free loans or loans at lower than the official rate of interest
- Interest forgone is deemed to be a donation and taxed at 20%
- R100 000 Donation exemption applies

- Example to Section 7C
  - Loan of R10m (interest free) to Trust from connected person
  - Official Interest Rate (say 7%)
  - Interest forgone = R700 000
  - Donations Tax @ 20% = R120 000  $[(700\ 000 - 100\ 000) \times 20\%]$
- Section 7C Anti avoidance extended
- Loans from companies to Trusts:
  - Company grants loan to a trust at the instance of a natural person connected to the trust
  - Loan to a company whose shares are held by the trust
  - At least 20% of the shares of the company

- Preference Shares issued by company to Trusts
  - Preference shares deemed to be a loan
  - Dividends received from preference shares deemed to be interest
  - Taxed as donations and subject to donations tax at 20%
  - For years of assessments commencing on or after 1 January 2021
- Loan Transfers between trusts
  - Founder of one trust is related to one or more beneficiaries of the other trust
  - Further amendments to Section 7C are proposed to counter these schemes

- Proposal to reduce Corporate Tax rate from 28% to 27% in 2022 - from 2023 year of assessment
- Reduction to be done in a tax neutral manner and will be funded as follows:
  - Limitation of assessed losses to 80% of Taxable Income
  - Limiting the deduction of interest for businesses purposes - proposal is to limited net interest deduction to 30% of adjusted taxable income.





*Thank  
you!*

[www.nexia-sabt.co.za](http://www.nexia-sabt.co.za)