

BUDGET 2023

The lights managed to stay on as Finance Minister Enoch Godongwana delivered his second budget speech to Parliament. Although it's been another tough year, Treasury expects to achieve its first primary budget surplus (i.e., when revenue exceeds non-interest expenditure) since 2008/9 during the 2022/23 fiscal year. This comes as revenues once again exceeded expectations, this time around by R94 billion, compared to R182 billion in the previous year.

The Minister continues to walk the tightrope of fiscal consolidation/austerity on the one hand and providing much-needed relief to businesses and consumers on the other.

With electricity supply undoubtedly being our biggest challenge, we saw some notable announcements aimed at tackling this crisis, including:

- A debt-relief arrangement for Eskom totalling R254 billion, subject to conditions.
- From 1 March 2023, businesses will be able to reduce their taxable income by 125% of the cost of an investment in renewables. This will apply for two years.
- Individuals who install rooftop solar panels from 1 March 2023 will be able to claim a rebate of 25% of the cost of the panels, up to a maximum of R15,000. This incentive will be available for one year.

Other measures aimed at struggling consumers include inflation-related adjustments to various tax brackets, while other taxes have not been increased:

- After many years of staying unchanged, the retirement fund tax tables have finally been adjusted upwards by 10%. The new rates are set out below:

Retirement fund lump sum benefits or severance benefits			
2022/2023		2023/24	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 – R500,000	0% of taxable income	R0 – R550,000	0% of taxable income
R500,001 – R700,000	18% of taxable income above R500,000	R550,001 – R770,000	18% of taxable income above R550,000
R700,001 – R1,050,000	R36,000+ 27% of taxable income above R700,000	R770,001 – R1,155,000	R39,600 + 27% of taxable income above R770,000
R1,050,001 and above	R130,500 + 36% of taxable income above R1,050,000	R1,155,001 and above	R143,550 + 36% of taxable income above R1,155,000

Retirement fund lump sum withdrawal benefits			
2022/2023		2023/24	
Taxable income (R)	Rates of tax	Taxable income (R)	Rates of tax
R0 – R25,000	0% of taxable income	R0 – R27,500	0% of taxable income
R25,001 – R660,000	18% of taxable income above R25,000	R27,501 – R726,000	18% of taxable income above R27,500
R660,001 – R990,000	R114,300 + 27% of taxable income above R660,000	R726,001 – R1,089,000	R125,730 + 27% of taxable income above R726,000
R990,001 and above	R203,400 + 36% of taxable income above R990,000	R1,089,001 and above	R223,740 + 36% of taxable income above R1,089,000

For a R1,000,000 lump sum benefit, the result is that tax payable drops from R117,000 to R101,700 on retirement, and from R207,000 to R199,710 on withdrawal.

- The transfer duty tax brackets are also increased by 10%.
- Personal income tax brackets and rebates, medical tax credits and social grants are increased by around 5%. The old age grant is now roughly R2,100 p.m., making private savings vital for those with spending needs above this level.
- To ease the pain at the pumps there will be no increase in fuel and RAF levies this year, while ‘the sugar tax’ also remains unchanged.

Smokers and drinkers were of course not spared, with excise duties, or “sin taxes”, rising by an average of 4.9%.

As is always the case, many things remain unchanged, including the tax on interest, dividends and capital gains (none of which are applicable to retirement funds), the contribution limits to tax-free savings accounts, the tax-deductible limits to retirement funds, the VAT rate, estate duties and donations tax.

OTHER RETIREMENT-RELATED DEVELOPMENTS:

- Two-pot retirement system
Nothing new was announced here. The expected implementation date is still 1 March 2024, while draft legislation will be released to deal with areas identified during the public comment process, including a proposal on seed capital for the “savings pot”, the treatment of defined benefit and legacy retirement annuity funds, and withdrawals from the “retirement pot” following retrenchment.
- Auto enrolment
Policy proposals on how to expand the participation and coverage of all formal and informal workers in a retirement fund will also be released during the year.
- Governance
Legislative amendments to improve governance of retirement funds – particularly commercial umbrella funds – will also be published.

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