



# Tax and Legal News

#BudgetSpeech2022



February 2022

## Budget 2022: Individuals tax and employment taxes

The South African Finance Minister delivered his Annual Budget Speech on Wednesday 23 February 2022.

### Individuals tax and expatriate employee considerations

As relates to individual taxpayers and expatriate employees, the proposals for the tax year commencing 1 March 2022 include:

- The maximum tax rate for natural persons remains 45%. There is inflationary relief through a 4.5 % adjustment in the personal income tax brackets and rebates.
- When a natural person ceases to be tax resident in South Africa (usually upon exiting South Africa permanently), that taxpayer effectively has two assessment periods in the same 12 months of the tax year. Treasury has proposed that apportionment of the interest income and capital gains tax annual exclusions be required when a person ceases to be tax resident.
- Retirement reforms continue – see our separate tax alert on this topic as relates to the “two-pot system” proposed for retirement savings vehicles. This proposed approach will allow pre-retirement access to a portion of one’s retirement assets, ensuring that the remainder is preserved for retirement. Legislative amendments will follow subsequent to public workshops being held.
- Medical tax credits have increased from R332 to R347 per month for the first two(2) members and R224 to R234 per month for additional members of the medical aid.
- Certain double tax agreements (DTAs) provide tax relief from South African tax in relation to South African retirement savings vehicles for residents of other countries. South Africa will revisit the applicable DTAs during this year, so as to retain the South African taxing rights in respect of South African retirements funds.
- No wealth tax was announced, however there are clear indications that Treasury is collecting data to assess the viability of the introduction of a wealth tax.
- Provisional taxpayers with business interests are currently required to declare their assets (based on their **acquisition values**) and liabilities in their tax returns each year. It is proposed that all provisional taxpayers with assets above R50 million be required to

declared **specific assets and liabilities at market values** in their 2023 tax returns. The 2023 tax returns will be due from July 2023. It will be interesting to understand how broad SARS intends to apply the concept of “business interests”.

- Government proposed a review of the provisional tax systems given “changing circumstances and international developments”, with the intention of publishing a discussion paper on this subject.
- As relates to globally mobile employees,
  - the concept of “work from anywhere” and remote working is growing. A discussion document will be published in 2022 specifically addressing a personal tax regime for remote work.
  - The taxation of employer contributions to foreign retirement funds has been a contentious area in South Africa for some time. It has been proposed that a review of the exemption of foreign retirement benefits in domestic tax legislation be conducted.

## Employment taxes

- Section 7B of the Income Tax Act. No 58 of 1962 (as amended) provides guidance on the timing of the taxation of variable remuneration such as commission or bonuses. This section does not presently cater for the informal sector, where “commission” is determined without reference to a percentage of earnings. Changes to section 7B are on the horizon to cater for these types of performance-based variable payments.
- The Employment Tax Incentive (ETI) is being expanded from 1 March 2022 to increase the maximum monthly value from R1000 per month to R1500 per month for the first 12-month period and from a maximum of R500 to R750 in the second 12 months of eligibility. Please see our separate tax alert on this.

Much will happen in the near future as relates to expatriate taxation and employments taxes. Watch this space. At KPMG South Africa, we have deep tax technical, practical experience and the latest technology tools available to ensure that taxpayers (individuals and employers) are tax compliant in a digital age where the South African Revenue Service has more recently invested in data and analytics tools in their effort to ensure compliance and expand the tax base.

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