
In brief
Due to tax revenue having strengthened significantly, government proposes R5.2 billion in tax relief to help support the economic recovery, provide some respite from fuel tax increases and boost incentives for youth employment.

Below we list the main tax proposals from the 2022 Budget.

In detail

Personal Income Tax

- Inflationary relief is provided through a 4.5 per cent adjustment in the personal income tax brackets and rebates.

- Medical tax credits will increase from R332 to R347 per month for the first two members, and from R224 to R234 per month for additional members, in line with forecast inflation.

- The annual tax-free threshold for persons under the age of 65 will increase to R91 250, for those age 65 and over to R141 250 and for those age 75 and over to R157 900.

- Provisional taxpayers with assets above R50 million will be required to declare specified assets and liabilities at market values in their 2023 tax returns.

Corporate Income Tax

- Effective for tax years ending on or after 31 March 2023, the corporate income tax rate will be reduced to 27 per cent.

- The base broadening measures related to limiting the use of assessed losses and interest deduction limitation rules will take effect for tax years ending on or after 31 March 2023. The introduction of these measures have therefore not been postponed as was expected.

- Legislative amendments to implement the two-pillar solution of the OECD/G20 Inclusive Framework will be proposed.

- The research and development tax incentive is extended in its current form until 31 December 2023.
Tax incentives that will not be renewed when they reach their sunset dates are:

- Section 12DA (rolling stock) on 28 February 2022
- Section 12F (airport and port assets) on 28 February 2022
- Section 12O (films), which lapsed on 31 December 2021
- Section 13sept (sale of low-cost residential units through an interest free loan) on 28 February 2022.

**Employment tax incentive**

- An increase of 50 per cent in the value of the employment tax incentive has been proposed from 1 March 2022.

- The incentive will increase from a maximum of R1 000 to a maximum of R1 500 per month in the first 12 months and from R500 to a maximum of R750 in the second 12 months of eligibility.

**Customs and Excise**

- The excise duties on alcohol will be increased by between 4.5 and 6.5 per cent for 2022/23.

- It is proposed that the excise duty rate on tobacco be increased by between 5.5 and 6.5 per cent.

- A flat excise duty rate of at least R2.90/ml is proposed to apply to both nicotine and non-nicotine vaping solutions from 1 January 2023.

- Review papers on the alcohol and tobacco excise duties policy framework will be released for comment.

- The health promotion levy (sugar tax) will be increased from 2.21c/g to 2.31c/g from 1 April 2022 and consultations will be initiated on the possible lowering of the threshold and extending the levy to fruit juices.

**Fuel levies and the RAF levy**

- No increases will be made to the general fuel levy on petrol and diesel for 2022/23. There will also be no increase in the RAF levy.

**Environmental Taxes**

- The carbon fuel levy for 2022 will increase by 1c to 9c/l for petrol and 10c/l for diesel from 6 April 2022, as required by legislation. The carbon tax rate increases from R134 to R144 per tonne from 1 January 2022.

- The first phase of the carbon tax will be extended by three years for the period 1 January 2023 to 31 December 2025 and is proposed to include:
  - an extension of the energy-efficiency incentive;
  - an extension of electricity price neutrality;
  - increasing the threshold for the maximum trade exposure allowance to 50 per cent; and
  - penalising emissions in excess of carbon budgets at a higher tax rate of R640 per tonne.

- The plastic bag levy is increased from 25c to 28c from 1 April 2022. Vehicle emissions tax rates for passenger cars and double cabs are increased to R132 and R176 respectively and the tax on incandescent light bulbs is increased to R15 from 1 April 2022.

**Tax research and reviews - what is in the pipeline?**

A discussion document will be published in 2022 on a personal income tax regime for remote work.

A review of the exemption of foreign retirement benefits in domestic tax legislation will be conducted.

A review of depreciation and investment allowances will take place during 2022/23, followed by the release of a discussion document.

Government will review the approach to adjusting thresholds for inflation.