



Issue 11 - 31 March 2022

# Budget Snapshots

## A Few Other Announcements and Developments

Audit / Tax / Advisory / Human Capital

Smart decisions. Lasting value.

A decorative background image on the left side of the slide, showing a close-up of a flower with orange and yellow petals, slightly out of focus.

## **Variable Remuneration**

Variable remuneration is taxable in the hands of employees when received. Deduction for the employer is also deferred to that point of time. It is intended to widen the definition of variable remuneration to include performance based variable payments.

## **Debtors Allowance Provisions**

When a taxpayer enters into an agreement in which the taxpayer transfers property ownership to another person after the taxpayer has received the whole or any portion of the amount payable in terms of the agreement, a debtors allowance can be claimed by the taxpayer. There is a condition that the agreement is for a period of at least 12 months and at least 25% of the amount due is to be payable in a subsequent year of assessment.

It is proposed to allow lay-by agreements to be included for allowance purposes even though the contract length may be less than 12 months.

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## Corporate Tax Rate

In an earlier issue, we mentioned that the rate of tax payable by companies will reduce from 28% to 27% with effect from years of assessment ending on or after 31 March 2023.

It is important to tie in this concession with two other changes which take effect from the same year of assessment.

- **Assessed loss limitation.** Already reported that the deduction of past losses is limited to the greater of 80% of current year income and R1 million.
- **Interest deduction limitation.** This change was introduced into law last year although the implementation has been deferred to the above years.

A number of structured financing schemes rely on the deductibility of interest especially in connected party relationships and where the interest receivable is not subject to tax in South Africa. In general, the net interest expense deduction (i.e. interest paid less interest received) is limited to 30% of EBITDA (earnings before interest, tax, depreciation and amortization). The full details and implications of the interest deduction limitation is complex and we recommend further investigation on a case by case basis.

## Inheritances from Deceased Estates

It is to be clarified that the date of acquisition of assets inherited from deceased estates will be deemed to be the date of approval of the Liquidation and Distribution Account by the Master of the High Court (or similar authority).



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