



Issue 11 - 31 March 2022

Budget Snapshots

A Few Other Announcements and Developments

Audit / Tax / Advisory / Human Capital

Smart decisions. Lasting value.

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.

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).



Contact

Crowe HZK

7th Floor, 5 St. Georges
St. Georges Mall, Cape Town
Main +27 21 481 7000
hzk@crowe.za.com

D8, Block D, Octo Place
Elektron Avenue, Techno Park
Stellenbosch
Main +27 21 880 7940
bso@crowe.za.com

Crowe JHB

3 Sandown Valley Crescent
Sandown
Johannesburg, 2196
Main +27 11 217 8000
info@crowe.za.com

Crowe Winelands

Blandford House
67 Caledon Street
Somerset West, 7130
Main +27 21 855 2917
reception.winelands@crowe.za.com

Crowe DNA

Unit 201, 2nd Floor
Crossfire Place
15 Gardner Williams Avenue
Paardevlie, Somerset West, 7130
Main +27 87 0572613
infodna@crowe.za.com



About Crowe Global

As a top 10 global accounting network, Crowe Global has over 200 independent accounting and advisory firms in 145 countries.

For over 100 years, Crowe has made smart decisions for multinational clients working across borders. Our leaders work with governments, regulatory bodies and industry groups to shape the future of the profession worldwide. Their exceptional knowledge of business, local laws and customs provide lasting value to clients undertaking international projects.

Crowe provides global reach on a personal scale. Firms are focused on the future and the client experience, working with clients to build something valuable, substantial and enduring. Close working relationships are at the heart of our effective service delivery.

At Crowe, our professionals all share one commitment, to deliver excellence.

www.crowe.com/za