

Latest SARS Interest Rate Increases

**Tax, VAT, Fringe Benefits,
Loans, Donations Tax
and Dividends Tax**



Tax and VAT - Interest Rate Increases

SARS has again increased rates as detailed below.

It is important to remember that interest and penalties paid to SARS are not deductible expenses for income tax purposes. On the other hand, interest received from SARS is fully taxable (after deducting the current initial exemption of R23 800 per annum (R34 500 if you are 65 or older) for all local interest income earned by natural persons).

- **Income Tax, Provisional Tax, Dividends Tax, etc**

Payable to SARS on short payments of all such taxes (other than VAT): 9% per annum from 1 November 2022 (was 8.25% per annum with effect from 1 September 2022).

Payable by SARS on refunds of tax (where interest is applicable): 5% per annum from 1 November 2022 (was 4.25% per annum with effect from 1 September 2022).

If the refund is made after a successful tax appeal or where the appeal is conceded by SARS, the interest rate is 9% per annum from 1 November 2022 (was 8.25% per annum from 1 September 2022).

- **VAT**

Payable to SARS on late payments: 9% per annum from 1 November 2022 (was 8.25% p.a. from 1 September 2022).

Payable by SARS on VAT refunds after prescribed period: 9% per annum from 1 November 2022 (was 8.25% from 1 September 2022).

- **Fringe Benefits**

Official interest rate for loans to employees below which a deemed fringe benefit arises: 7.25% per annum from 1 October 2022. See below for details of historical changes.

- **Dividends Tax**

Official interest rate for loans (designated in Rands) to shareholders below which the interest on such loans can be deemed to be dividends on which Dividends Tax is payable: 7.25% per annum from 1 October 2022. See below for details of historical changes.

- **Donations Tax**

Loans to Trusts by natural connected persons with interest charged at rates below the official rate create a donation subject to donations tax at 20% on the interest foregone each year. Contact us for more details.

- **Penalties**

The amount of penalties for late payments (where applicable) are substantial (at least 10%) and are in addition to interest charged.

Fringe Benefits, Loans, Donations Tax and Dividends Tax - Interest Rates

- If inadequate interest is charged to an employee (including working directors) on loans (other than for the purpose of furthering his own studies) in excess of R3 000 from his employer (or associated institution), tax on the fringe benefit may be payable.

Unless interest is charged at the “official” rate or greater, the employee is deemed to have received a taxable fringe benefit calculated as being the difference between the interest actually charged and interest calculated at the “official” rate.

For employees' tax purposes, the tax deduction must be made whenever interest is payable. If not regularly, then on a monthly basis for monthly paid employees, weekly for weekly paid employees, etc.

- Subject to a number of exceptions, distributions of income and capital gains from a company / close corporation are normally subject to Dividends Tax at the flat rate of 20%. Loans or advances to or for the benefit of a shareholder / member will be deemed to be dividends but only to the extent that interest at less than the “official” rate (or market related rate in the case of foreign currency loans) is payable on the loan or fringe benefits tax is payable on an interest free (or subsidized interest) loan to an employee.

It is not the amount of the loan but the interest reduction which is deemed to be a dividend. Low interest loans are accordingly subject to Dividends Tax payable by the company and only in respect of the interest benefit.

- Loans to Trusts by natural connected persons with interest charged below the official rate create a donation subject to donations tax at 20% on the interest foregone each year. Contact us for more details.
- With effect from 1 March 2011, the official rate has been defined as the rate of interest equal to the South African “repo rate” plus 1%. For foreign currency loans, the rate is the equivalent of the foreign “repo rate” plus 1%. The South African repo rate has just been increased to 6.25% p.a. from 1 October 2022.

The “official” rate of interest over the past 5 years

| | |
|----------------------------------|--------------|
| With effect from 1 April 2018 | - 7.50% p.a. |
| With effect from 1 December 2018 | - 7.75% p.a. |
| With effect from 1 August 2019 | - 7.50% p.a. |
| With effect from 1 February 2020 | - 7.25% p.a. |
| With effect from 1 April 2020 | - 6.25% p.a. |
| With effect from 1 May 2020 | - 5.25% p.a. |
| With effect from 1 June 2020 | - 4.75% p.a. |
| With effect from 1 August 2020 | - 4.50% p.a. |
| With effect from 1 December 2021 | - 4.75% p.a. |
| With effect from 1 February 2022 | - 5.00% p.a. |
| With effect from 1 April 2022 | - 5.25% p.a. |
| With effect from 1 June 2022 | - 5.75% p.a. |
| With effect from 1 August 2022 | - 6.50% p.a. |
| With effect from 1 October 2022 | - 7.25% p.a. |

Kent Karro
Crowe Taxation Cape (Pty) Ltd

September 2022



Contact

Crowe HZK

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

Crowe HZK

D8, Block D, Octo Place
Elektron Avenue, Techno Park
Stellenbosch
Main: +27 21 8807940
bso@crowe.za.com

Crowe JHB

3 Sandown Valley Crescent,
Sandown,
Johannesburg, 2196
Main 011 217 8000
info@crowe.za.com

Crowe Winelands

17 Private Road,
Somerset West, 7130
Main 021 855 2917
reception.winelands@crowe.za.com

Crowe DNA

Unit 201, 2nd Floor
Crossfire Place
15 Gardner Williams Avenue
Paardevelei, Somerset West, 7130
Main 087 0572613
infodna@crowe.za.com

About Crowe Global

Ranked eighth largest accounting network in the world, Crowe Global has over 200 independent accounting and advisory firms in 130 countries.

For more than 100 years, Crowe has made smart decisions for multinational clients working across borders.

Crowe's 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. Crowe firms focus on the future, the client experience and 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