

SARS Further Increases Interest Rates

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

The further increases in the repo rate by Treasury forces SARS to again adjust its own rates.

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): 11.75% per annum from 1 September 2023 (was 11.25% per annum with effect from 1 July 2023).

Payable by SARS on refunds of tax (where interest is applicable): 7.75% per annum from 1 September 2023 (was 7.25% per annum with effect from 1 July 2023).

If the refund is made after a successful tax appeal or where the appeal is conceded by SARS, the interest rate is 11.75% per annum from 1 September 2023 (was 11.25% per annum from 1 July 2023).

- **VAT**

Payable to SARS on late payments: 11.75% per annum from 1 September 2023 (was 11.25% p.a. from 1 July 2023).

Payable by SARS on VAT refunds after prescribed period: 11.75% per annum from 1 September 2023 (was 11.25% from 1 July 2023).

- **Fringe Benefits**

Official interest rate for loans to employees below which a deemed fringe benefit arises: 9.25% from 1 June 2023. 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: 9.25% per annum from 1 June 2023. 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 amount of the tax benefit must be calculated as accruing to the employee with reference to 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 is not charged on the loan at the "official" rate (or market related rate in the case of foreign currency loans) and to the extent that fringe benefits tax is not payable on an interest free (or subsidized interest) loan where the shareholder is an employee.

It is not the amount of the loan but the interest not charged which is deemed to be a dividend. Relevant 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% (25% if cumulative donations of the donor amount to more than R30 million) 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 currently stands at 8.25% p.a. from 1 June 2023.

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.
With effect from 1 December 2022	- 8.00% p.a.
With effect from 1 February 2023	- 8.25% p.a.
With effect from 1 April 2023	- 8.75% p.a.
With effect from 1 June 2023	- 9.25% p.a.

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July 2023



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