Crowe

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Budget Snapshots

Budget Proposals

Audit / Tax / Advisory

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The 2023 Budget provides tax relief of R13 billion in 2023/24 to support the clean energy transition, increase the electricity supply and limit the impact of consistently high fuel prices.

Renewable energy tax incentive

The renewable energy tax incentive available for businesses to promote renewable energy will temporarily be expanded to encourage rapid private investment to alleviate the energy crisis. In terms of the current incentive businesses can deduct the costs of qualifying investments over a one- or three-year period, which creates a cash flow benefit in the early years of a project. Businesses can deduct 50% of the costs in year one, 30 per cent in the second and 20% in the third for qualifying investments in wind, concentrated solar, hydropower below 30 megawatts (MW), biomass and photovoltaic (PV) projects above 1 MW. Investors in PV projects below 1 MW are able to deduct 100 per cent of the cost in the first year. The expanded incentive will enable businesses to claim a 125% deduction in the first year for all renewable energy projects with no thresholds on generation capacity. The adjusted incentive will only be available for investments brought into use for the first time between 1 March 2023 and 28 February 2025.

The Budget provides for a rooftop solar incentive for individuals to invest in solar PV. Individuals will receive a tax rebate of up to 25% of the cost of new and unused solar PV panels. Solar panels must be purchased and installed at a private residence, and a certificate of compliance for the installation must be issued from 1 March 2023 to 29 February 2024 to qualify. The rebate is not available for inverters or batteries. For the 2023/24 tax year an individual taxpayer can get a rebate of up to R15 000.

The Budget provides R4 billion relief for individuals that install solar panels and R5 billion to companies through an expansion of the renewable energy tax incentive.

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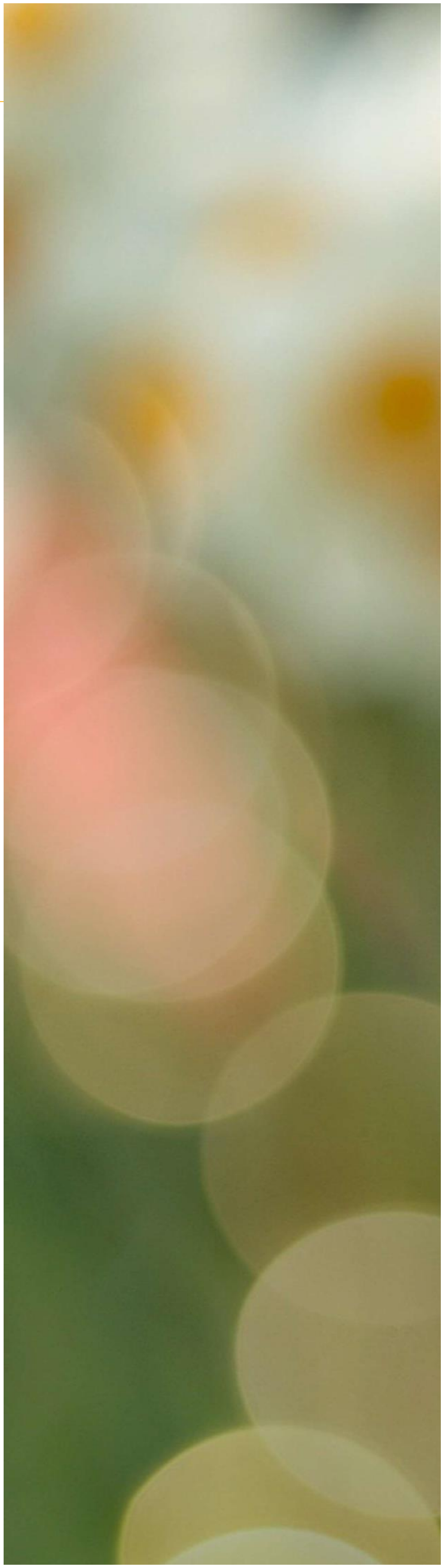

Individual tax rates

The Budget also provides for inflation-related (4.9%) adjustments to the personal income tax tables. As a result, the annual tax-free threshold for a person under the age of 65 will increase to R95 750. If the brackets were not adjusted, revenue would have increased by about R15.7 billion. Relief mainly benefits middle-income households. Medical tax credits will increase from R347 to R364 per month for the first two members, and from R234 to R246 per month for additional members.

The brackets for transfer duties, retirement fund lump sum benefits and retirement fund lump sum withdrawal benefits will all be adjusted upwards by 10 per cent to compensate for inflation, although tax rates will remain unchanged.

Retirement reform

The first phase of legislative amendments to the retirement system will take effect on 1 March 2024. The intent is to enable pre-retirement access to a portion of one's retirement assets, while preserving the remainder. Retirement fund contributions will remain deductible at the lower of R350 000 per year or 27.5 per cent of taxable income per year. Permissible withdrawals from funds that accrued before 1 March 2024 will be taxed according to the lump sum tables. Withdrawals from the "savings pot" before retirement will be taxed at marginal rates. On retirement, remaining amounts in the pot will be taxed according to the retirement lump sum table (for example, R550 000 is a tax-free lump sum on retirement). Additional work is required in a number of areas.

Sin taxes

In terms of the Budget, excise duties on alcohol and tobacco will increase in line with expected inflation of 4.9% for 2023/24. The rate for sparkling wine is pegged at 3.2 times that of natural unfortified wine.

The guideline excise tax burden as a percentage of the retail selling price of the most popular brand within each tobacco product category is currently 40 per cent. Government proposes to increase the excise duties in line with expected inflation of 4.9 per cent for 2023/24. The alcohol review paper will be published soon after the budget, and the tobacco review paper will be published later in the year.

Consultations on the excise policy for these products will take place after the release of the discussion papers.

The health promotion levy was not increased for 2023/24 and 2024/25. Government will publish a discussion paper on the levy for consultation on proposals to extend the levy to pure fruit juices and lower the 4-gram threshold.

Environmental taxes

No changes are proposed to the general fuel levy or the Road Accident Fund levy.

The diesel fuel levy refund will be extended to manufacturers of foodstuffs for a period of 2 years, with effect from 1 April 2023 until 31 March 2025 to limit the impact of the energy crisis on food prices.

South Africa is committed to reduce greenhouse gas emissions, and the carbon tax is an important instrument. With effect 1 January 2023, the carbon tax rate increased from R144 to R159 per tonne of carbon dioxide equivalent. In line with this increase, the carbon fuel levy is increased by 1c to 10c/l for petrol and 11c/l for diesel from 5 April 2023.

To ensure that South Africa is adequately compensated for the loss of its finite resources, the minimum royalty rate for oil and gas companies will be increased from 0.5 per cent to 2 per cent, with the maximum remaining at 5 per cent.

R&D Tax Incentive

Government proposes to extend the R&D incentive for 10 years from 1 January 2024. A six-month grace period will apply to projects to commence before the application is submitted. The definition of R&D will be changed to make it simpler to understand and administer, resulting in an easier application process. The incentive should only apply to activities aimed at resolving a scientific or technological uncertainty. The R&D definition will change from an "end-result" approach to incorporate principles of the OECD Frascati Manual, in which activities should be novel, uncertain, systematic and transferable and/or reproducible. The exclusion for internal business processes will also be removed to ensure that if an activity is investigative or experimental with the aim of resolving a scientific or technological uncertainty and it meets the revised R&D definition, it should be considered R&D.

Tax Administration

SARS intends to review the VAT administrative framework to simplify and modernise the system.

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