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A balanced budget for trying times

South Africa Budget 2022/23

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Measured as a percentage of GDP, the consolidated budget deficit is expected to be 5.7% in 2021/22, improving to a deficit of 4.8% in 2023/24. There is a revised (improved) revenue shortfall of R355.7 billion projected for the 2021/22 year and a revenue shortfall of R386.6 billion in 2022/23. Government has committed to managing spending in a prudent and sustainable manner, reflected in the gross debt-to-GDP ratio moderating to 69.5% in 2021/22 and stabilising at 75.1% in 2024/25.

Consolidated Budget Revenue 2022/23 R1 770.6bn Up by 3% Including the following: Personal income tax **R587.9bn** Up by **6%** 7 112 326 estimated taxpayers Earn > R90k and < R1m p.a. Contribution: 59% 333 067 estimated taxpayers Earn > R1m p.a. Contribution: 41% VAT R439.7bn Up by 15% Corporate income tax R269.9bn Down by 15% Provinces and social security R182.6bn Up by **6%** General fuel levy R89.1bn Down by 1% Customs duties R61.1bn Up by **9%** Specific excise duties R51.8bn Up by **8%**

Bernadette Abbott

Chief Operating Officer, Africa Tax & Legal Tel: +27 (0)82 781 8435 Email: <u>babbott@deloitte.co.za</u> Total Budgeted Expenditure 2022/23 R2 157.3bn Up by 4%

Including the following:

Learning and culture **R441.5bn** Up by **5%**

Social development R364.4bn Up by 3%

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Debt-service costs R301.8bn Up by 12%

Health **R259bn** Up by **1%**

Community development R236.3bn Up by 11%

Economic development **R227.1bn** Up by **13%**

Peace and security R220.7bn Up by 1%

General public services **R69.2bn** Down by **4%**

Financial assets R27.2bn Down by 64%

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Key Tax Proposals

An **inflationary 4.5% adjustment to personal income brackets** to avoid fiscal drag.

Excise duties on alcohol and tobacco will increase by between 4.5% and 6.5%. A new tax on vaping products will be introduced from 1 January 2023.

Provisional taxpayers with business interests and assets above R50 million may have additional reporting requirements.

Changes have been proposed to retirement funds to allow earlier access to a portion of the funds.

The corporate income tax rate reduction to 27%, for companies with years of assessment ending on or after 31 March 2023, was confirmed. This rate decrease was enabled by the new rules relating to the **limitation** of assessed losses and by reducing certain incentives.

There will be significant increases in carbon taxes over the foreseeable future.

South Africa's tax laws will be **aligned with the OECD's Two-Pillar solution** in 2023.

The **investment in SARS to bolster capacity**, build skills and invest in new technologies has already resulted in improved revenue collection and compliance trends. Steps have also been taken to establish the new dedicated unit for high-wealth individuals.

No increases to the general fuel levy or the Road Accident Fund levy, however, the carbon fuel levy will be increased.

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