Budget 2020: Much ado about nothing

The 2020 National Budget has been anticipated with much angst and crystal ball gazing, however, the resultant budget is in fact relatively light on the personal tax aspects. Slight changes to the tax brackets which saw no changes in 2019, slight increases to medical credits and very few other changes to make much mention of.

One of the more topical changes is the increase of the foreign remuneration exemption from the currently promulgated R1 million to R1.25 million. While this will be appreciated and welcomed, there are still a large number of concerns and challenges to be resolved in the practical application of the amended legislation and the now increased exemption limit.

Another welcome increase is to the annual contribution limit for tax-free investments. This has been increased from R33 000 to R36 000 in order to encourage a savings culture which remains lacking in South Africa's economy.

Some of the more interesting proposals, however, are to be found in the various annexures to the Budget documentation, more specifically this year in Annexure C and Annexure E.

Related to the foreign remuneration exemption is a proposal by National Treasury to align some of the requirements for exchange control and tax in terms of emigration. Much media exposure, some of which is not technically accurate, has been given to the term "financial emigration" since the announcement of the changes to the foreign remuneration exemption. The proposal seeks to create more alignment between the South African Reserve Bank (SARB) emigration process and tax residency. While this will have very little impact from a tax perspective as the existing residency rules would continue to apply, the view is that it may make the flow of funds easier for those wishing to emigrate.

Another interesting proposal relates to employer provided bursaries. There has been a flurry of bursary schemes launched by various service providers that seek to allow employees to sacrifice a portion of their salaries towards a bursary from the employer to pay school fees for their children. National Treasury has now indicated that this was not the intention of the legislation and the loophole that has been exploited will be closed with effect from 1 March 2020. While this legislation has not been released as yet, it will be interesting to see how this will be addressed.

National Treasury has also announced a proposal to revise the pay as you earn (PAYE) and personal income tax system to allow for a simpler filing by employers, more accurate reporting and for taxpayers to be able to monitor their taxes throughout the year and may result in many salaried employees not being required to file tax returns in future.

Regarding retirement funds, National Treasury announced that agreement has been reached with all relevant stakeholders on the harmonisation of retirement benefits, including the highly contentious provident fund annuitisation which has been delayed for many years.

While there are very few real tax changes to comment on, there are a number of positives that can be taken from the Budget and there is hope that these proposals will gain traction, particularly the comments contained in the Budget regarding the rebuilding of governance at the South African Revenue Services (SARS). A working and efficient SARS is good for South Africa and a goal that all should strive and work towards.

Written by Tarryn Atkinson: Deputy Chair – SAICA National Tax Committee and Head: Employees' Tax and Benefits, First Rand Group

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