

## **FEBRUARY 2024 – SOUTH AFRICA 2024/2025 BUDGET SPEECH**

*It is important that employers note the following:*

### **2024/2025 Budget Speech and tax proposals**

The Minister of Finance, Enoch Godongwana, delivered the Budget Speech for the fiscal year 2024/2025 on Wednesday, 21 February 2024.

#### **Highlights of the Budget Speech:**

- The consolidated budget deficit is projected to narrow from 4.9% of GDP in 2023/24 to 3.3% by the end of the 2024 medium-term expenditure framework (MTEF) period.
- Revenue collection in 2023/24 has weakened significantly relative to projections in the 2023 budget, and tax revenue for 2024/25 is expected to amount to R1.86 trillion.
- Real GDP growth is projected to an average of 0.6% in 2023. This is down from 0.8% growth estimated during the 2023 medium-term budget speech.
- Government debt is expected to peak at 75.3% of GDP in 2025/26, with debt service costs as a share of revenue peaking in the same year.
- Government again proposes no changes to the general fuel levy or the Road Accident Fund levy, resulting in tax relief of around R4 billion.
- Over the next three years, government will make three transfers to Eskom for capital and interest payments. Transfers in each of these years are R2 billion lower than projected, as a result of the entity's failure to conclude disposal of Eskom Finance Company, as stipulated in the debt relief conditions.
- For the first time in two decades government is forced to tap into SA's Gold & Foreign Exchange Contingency Reserve Account (GFECRS). The settlement amounts to R150 billion over the medium term. As a result, government's gross borrowing requirement is projected to decrease from R553.1 billion in 2023/2024 to R428.5 billion in 2026/2027.

#### **Tax proposals**

- No increases of income tax, VAT or fuel levies.
- No inflation adjustments to personal income tax tables and medical tax credits.
- Daily amounts in respect of meals and incidental costs (daily and overnight) were increased.
- Treasury will be hiking other taxes to make up the additional revenue. This includes increasing excise duties on alcohol between 6.7% and 7.2%, while duties on tobacco products will increase by between 4.7% and 8.2%.
- SA will implement a global minimum corporate tax, with multinational corporations subject to an effective tax rate of at least 15%, regardless of where their profits are located.
- The two-pot retirement system will be implemented in 2024/25.
- Producers of electric vehicles in the country will be able to claim 150% of qualifying investment spending as an incentive to aid the transition to new energy vehicles.

For ease of reference, the most important information relating to taxes for employers are illustrated below:

<b>Tax Rates</b>	<b>2023/2024</b>	<b>Tax Rates</b>	<b>2024/2025</b>
<b>Taxable income (R)</b>	<b>Rates of tax</b>	<b>Taxable income (R)</b>	<b>Rates of tax</b>
0 – 237 100	18% of each R1	0 – 237 100	18% of each R1
237 101 – 370 500	R42 678 + 26% of the amount above R237 100	237 101 – 370 500	R42 678 + 26% of the amount above R237 100
370 501 – 512 800	R77 362 + 31% of the amount above R370 500	370 501 – 512 800	R77 362 + 31% of the amount above R370 500
512 801 – 673 000	R121 475 + 36% of the amount above R512 800	512 801 – 673 000	R121 475 + 36% of the amount above R512 800
673 001 – 857 900	R179 147 + 39% of the amount above R673 000	673 001 – 857 900	R179 147 + 39% of the amount above R673 000
857 901 – 1 817 000	R251 258 + 41% of the amount above R857 900	857 901 – 1 817 000	R251 258 + 41% of the amount above R857 900
1 817 001 and above	R644 489 + 45% of the amount above R1 817 000	1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

<b>Rebates</b>	<b>2023/2024</b>	<b>Rebates</b>	<b>2024/2025</b>
Primary	R17 235	Primary	R17 235
Secondary	R9 444	Secondary	R9 444
Tertiary	R3 145	Tertiary	R3 145

<b>Tax threshold</b>	<b>2023/2024</b>	<b>Tax threshold</b>	<b>2024/2025</b>
Below age 65	R95 750	Below age 65	R95 750
Age 65 and over	R148 217	Age 65 and over	R148 217
Age 75 and over	R165 689	Age 75 and over	R165 689

**Trusts other than special trusts:** Tax rate of 45%

**Medical tax credits (unchanged)**

<b>Member</b>	<b>2023/2024</b>	<b>2024/2025</b>
Each of the first two persons covered by the medical schemes	R364	R364
Each additional dependent	R246	R246

### Retirement fund lump sum withdrawal benefits (unchanged)

Taxable income	Rate of tax
R1 - R27 500	0% of taxable income
R27 501 – R726 000	18% of taxable income above R27 500
R726 001 – R1 089 000	R125 730 + 27% of taxable income above R726 000
R1 089 001 and above	R223 740 + 36% of taxable income above R1 089 000

### Retirement fund lump sum benefits or severance benefits (unchanged)

Taxable income	Rate of tax
R1 - R550 000	0% of taxable income
R550 001 - R770 000	18% of taxable income above R550 000
R770 001 - R1 155 000	R39 600 + 27% of taxable income above R770 000
R1 155 001 and above	R143 550 + 36% of taxable income above R1 155 000

### Subsistence allowances

Where the accommodation to which that allowance or advance relates is in the republic and that allowance or advance is paid or granted to defray:

- Daily: Incidental costs only, an amount equal to **R169** (previously R161) per day; or
- Overnight: The cost of meals and incidental costs, an amount equal to **R548** (previously R522) per day; or
- Where the accommodation to which that allowance or advance relates is outside of the republic, and that allowance or advance is paid or granted to defray the cost of meals and incidental costs, an amount per day determined in accordance with the 'Table: Daily Amount for Travel Outside the Republic' under the [Draft Notice](#) published on 21 March 2024 on the SARS website.

### Travelling allowance

The SARS rates per kilometre in respect of motor vehicles have not yet been published. As soon as this becomes available, a news flash will be circulated.

To view the official Budget Speech, follow the [link](#).

To view the draft notices regarding the daily amount in respect of meals and incidental costs, follow the [link](#).

Contact our legislation team on [info@crs.co.za](mailto:info@crs.co.za) if you require any additional information.

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