



# SOUTH AFRICA'S 2020 BUDGET IN A NUTSHELL

The Finance Minister, Tito Mboweni, in his national budget, proposed sharp cuts to the civil servant wage bill. The decision to not introduce any new tax increases in the Budget is a major win for cash-strapped South Africans who are battling the effects of poor economic growth and stagnant income levels.

Unfortunately, electricity shortages are expected to constrain growth in the next few years. Government is working towards resolving the electricity shortage challenge. Over the next three years, energy expenditure is expected to total R150 billion, accounting for a fifth of total infrastructure spending.

The 2020 Budget has again not spared smokers and alcohol drinkers. This year there was an added blow - targeting "vapers". From now on "vapers" will have to dig deeper into their pockets for a puff.

The annual contribution limit on tax-free savings accounts has been increased to R36 000 per tax year, an overall increase of

**R3 000**  
per tax year.

## SIN TAX 2020

BEER



R0.08  
per 340ml can

CIDER



R0.08  
per 340ml bottle

WINE (fortified)



R0.23  
per 740ml bottle

WINE (unfortified)



R0.14  
per 740ml bottle

SPIRITS



R2.89  
per 740ml bottle

CIGARETTES



R0.74  
per pack of 20

CIGARS



R6.73  
per 23g

CIGARETTE TOBACCO



R0.82  
per 50g

ELECTRONIC CIGARETTES WILL BE TAXED FROM 2021

## SOCIAL GRANTS

STATE OLD AGE GRANT

2019/2020: R1 780

2020/2021: R1 860

STATE OLD AGE GRANT, OVER 75

2019/2020: R1 800

2020/2021: R1 880

WAR VETERANS GRANT

2019/2020: R1 800

2020/2021: R1 880

DISABILITY GRANT

2019/2020: R1 780

2020/2021: R1 860

FOSTER CARE GRANT

2019/2020: R1 000

2020/2021: R1 040

CARE DEPENDENCY GRANT

2019/2020: R1 780

2020/2021: R1 860

CHILD SUPPORT GRANT

2019/2020: R425

2020/2021: R445

**NO TRANSFER DUTY**

For properties of R1m or less

**VAT UNCHANGED**

**Tax:**

Above inflation adjustments to tax rebates and brackets means more take-home pay

**Exchange control**

Removal of most exchange control regulations for individuals, but stricter tax treatment

## INCREASE IN FUEL LEVIES

The general fuel levy will increase by 16 cents per litre and the Road Accident Fund levy will increase by 9 cents with effect from 1 April 2020.

**This will increase:**

- the general fuel levy to R3.70 per litre of petrol and to R3.55 per litre of diesel.
- the road accident fund levy to R2.07 per litre for both petrol and diesel.

## INCREASE IN PLASTIC BAG LEVIES

The plastic bag will increase from 12c to 25c per bag on 1 April 2020.

## CHANGES IMPACTING RETIREMENT FUNDS

Government and the National Economic Development and Labour Council (NEDLAC) have agreed to proceed with retirement reform related to the harmonisation of all retirement benefits, including provident funds. This change to the provident and provident preservation fund annuitisation regimes will come into effect on 1 March 2021. This change will mean that members retiring from provident funds, like those retiring from pension funds, will need to convert at least two thirds of their capital at retirement into a regular monthly pension. However, this change will only apply in respect of FUTURE contributions made from 1 March 2021 onwards. **These changes do not impact members in provident funds who are 55 or older as at 1 March 2021.** If this does proceed as outlined, then it will have the benefit of simplifying the retirement landscape. All retirement fund vehicles (pension, provident and retirement annuity funds) will provide the same tax-deductibility on contributions (up to 27.5% of income with a cap of R350 000 per year is tax-deductible), the same tax-free investment returns and the same benefits during retirement.

## REMEMBER:

As a member of the Old Mutual Employee Group in SuperFund, the best way to reduce your direct tax bill is to take full advantage of the generous tax deductions SARS offers on contributions to approved pension or provident funds or retirement annuity (RA) funds.

This is a great way to make sure that you're paying YOURSELF, rather than the tax man!