

SCoF submission

Budget Review 2022



General
comments

General comments

- Budget Review 2022 – welcomed and fully support continued policy commitment to avoid tax rate increases by expanding the tax base through stronger economic growth, employment and enforcement
- Fully support objective of fiscal and debt consolidation
- PwC submission – mainly to highlight certain matters



Tax specific
comments

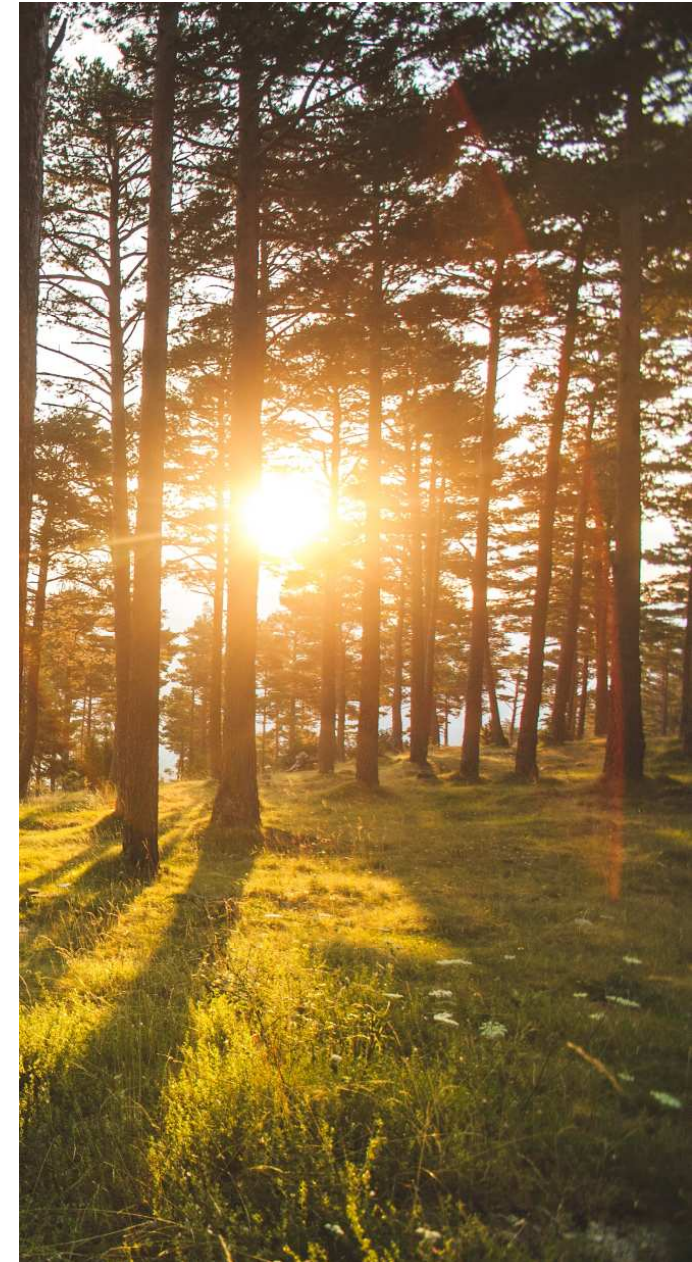
Risks

- Significant risks from both revenue and expenditure perspective:
 - Revenue risks – lower commodity prices, suppressed GDP growth (power interruptions, new Covid-19 variants, etc.)
 - Expenditure risks – “temporary” expenditure morphing into “permanent” expenditure (e.g. SRD), public sector wage bill, additional SOE support
- Permanent expenditure increases will need to be matched with permanent revenues or expenditure reductions elsewhere
- Mitigating factor – Budget 2022 conservative revenue forecasts



Revenue Forecasts

- 2021/22
 - Budget 2021 forecast: R1.365 trillion; MTBPS: R1.485 trillion
 - Budget 2022: R1.55 trillion (exceed Budget 2021 forecast by R181.9 billion)
 - Conservative – potentially exceed by R220 billion (if strong performance continues)
- 2022/23
 - Budget 2022 estimated tax revenue growth forecast – at only 3.3%
 - 2022 base conservative
 - CIT forecast to drop 15.2%
 - Understandable and prudent approach, given the risks



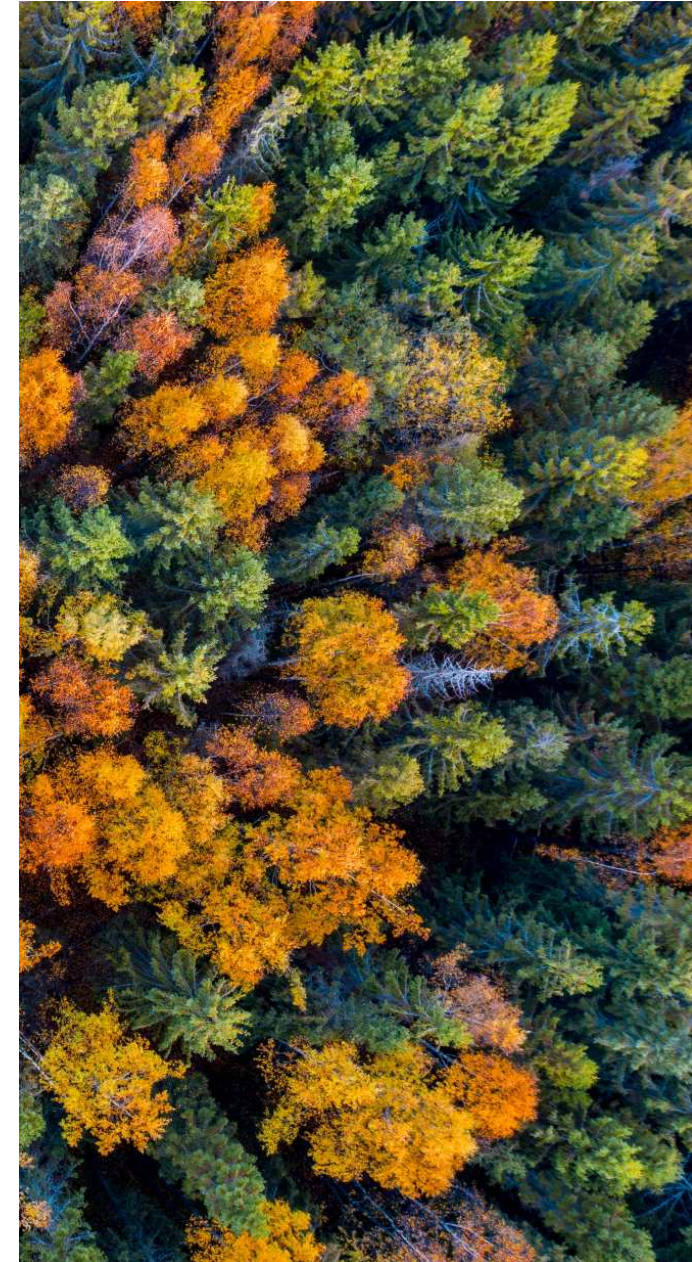
CIT rate reduction

- Timing:
 - NT's comment - postpone base-broadening measures to allow “space for recovery” (Final Response document of 25 January 2022)
 - Contradicted by budget announcement of rate reduction
 - YOA ending on or after 31 March 2023 – effectively same as original effective date of YOA commencing on or after 1 April 2022
 - Non-correlation of effective dates for CIT rate reduction and base broadening measures - intended?
- Clarity on way forward for tax neutral rate reductions – targeted tax rate, base broadening measures and proposed timelines?



Other tax relief

- PIT:
 - Fiscal drag relief welcomed
- Employment Tax Incentive
 - Support the increase in the maximum value of the employment tax incentive
 - Expansion of the eligibility criteria for qualifying employees – note current design, inherent contradiction (i.e. increased employee salary = reduced incentive value)
- Fuel levies
 - Welcome the proposal not to increase the levies, specifically in the context of rising oil prices
 - Right choice for targeting tax relief in current context



Thank you

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