

African Bank press release

27 February 2020

A fair budget for the average South African

Yesterday, the Minister of Finance, Tito Mboweni, performed a difficult balancing act in crafting the 2020/2021 budget with regards to tightening the purse strings and stimulating the economy. Basani Maluleke, CEO of African Bank, says, “We are cognisant of the pressure that South Africans and our customers are under and we therefore welcome the personal tax relief, particularly for lower income earners.”

Individual taxpayers received an unexpected tax relief of R2 billion through the adjustment of tax brackets by more than the inflation rate. There is also no increase in VAT, which remains at 15%.

A lower inflation rate, the interest rate reduction earlier this year and the reduction in personal tax proposals are all intended to help kick start the economy, which Mboweni predicts will only grow at 0.9% this year.

Maluleke says that although the budget may seem complex to most people, it is really just a large financial plan that applies to all South Africans.

She highlights the 14 points every South African should be aware of:

Budget 2020 highlights which impact you:

1. No major tax increases, including VAT. Mboweni noted it would be foolhardy to make any increases given the tough economic environment.
2. A welcome personal income tax relief.
 - A person earning an average of R460 000 per annum will have taxes reduced by R3 400 per year
 - People who earn an average of R250 000 a year will have a tax reduction of R1 500 per year
 - Someone earning R10 000 a month will pay 10% less tax
 - Someone earning R100 000 a month will pay 1.5% less tax
3. An increase in the tax-free savings allowance to R36 000, from R33 000 per annum. This will allow for further tax savings for South Africans who can take advantage of this tax saving initiative. Maluleke recommends all South Africans save some of their tax relief in a suitable savings and investment product which offers the best interest rates.
4. To assist business to become more competitive and grow, the corporate income tax base will be broadened so that the increased base can assist to reduce the corporate tax rate of 28%.

5. Start-up business will be assisted, with a preferential small business tax regime and a VAT and turnover tax threshold. Maluleke says we need to encourage an entrepreneurial culture in South Africa and bring more people into the formal system. “This is encouraging as it will facilitate growth in small business. We are pleased to also see a lowering in the cost of doing business and steps being taken to streamline the registration process of new businesses.”
6. Property market threshold for transfer duties is adjusted downward, with no transfer duty on a property costing R1 million or less. This is a great saving when looking to buy or sell a house in that price range.
7. Excise taxes, commonly known as Sin taxes, will increase across the range of cigarettes, beer, whiskey and wine. Sorghum beer will, however, not be impacted by a tax increase.
8. Heated tobacco products, for example hubbly bubbly, will be taxed at 75% of the rate of cigarettes.
9. The fuel levy goes up by 25 cents per litre. “This will impact consumers negatively, directly through added transport costs and indirectly through added input costs across a range of goods and services,” says Maluleke.
10. Carbon tax will bring in R1.75 billion. Plastic bag levies will increase to 25 cents to try and limit the plastic bags being strewn all over SA. Maluleke says you will save in the long run if you buy some environmentally-friendly shopping bags and only use these when shopping.
11. Youth employment: Raising skills and improving the ability of young people to find jobs is an important focus of the Presidential Youth Employment Intervention. National Treasury will reprioritise resources to raise spending on critical areas.
12. Social grant payments: Pensioners, disability grants and care dependency grants will increase by R80 to R1 860 per month. War veterans’ grants will increase by R80 to R1880. Foster care will increase by R40 to R1 040 and the child support grant will increase by R20 to R445 per month. Changing the way we provide social grants has generated about R1 billion per annum in efficiency savings, which will be partly used to raise the daily subsidy per child.
13. Supporting lending: Working with the financial sector, a pilot of the Help to Buy scheme has supported over 2 000 families to buy their own homes. For every R1 subsidy provided by government, the scheme crowds in R8 from the private sector. In a single year, the Help to Buy scheme has supported nearly R1 billion in new lending.
14. Municipalities will be allocated R426 billion to assist them to provide basic services. “This should help ensure that every South African has running water and electricity,” says Maluleke.

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