



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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**INTRODUCTORY SPEECH BY THE MINISTER OF FINANCE
RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE
LAWS BILL, 2013**

18 June 2013

Introduction

Mister Speaker, before us is the Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2013. As practice and in order to give legislative effect to some of the more pressing tax changes announced in the 2013 annual tax legislative, amendments will be done in phases. This year there will be three pieces of legislation to provide for the tax changes announced in the 2013 Budget Speech. The first piece of legislation tabled today deals with most of the changes in tax rates and monetary amounts - most of them already being implemented but requiring legislative approval.

The more substantive legislative tax amendments will be incorporated into the annual Taxation Laws Amendment Bill to be tabled later this year and the Employment Incentive Bill that will provide for an incentive to help address some of the difficulties our youth experience in getting that first job that will help to gain the necessary work experience to ensure gainful employment.

Tax relief to individual income taxpayers

The Rates and Monetary Amounts and Amendment of Revenue Laws Bill provides tax relief for individual income taxpayers by adjustments to the personal income tax brackets - partially accommodating for fiscal drag (individuals moving into higher income tax brackets due to inflationary adjustment to their wages and salaries). The total relief provided for amounts to R7.0 billion. Although the personal income tax brackets were not fully adjusted for inflation in 2013/14 it should be noted that over the last decade and a half personal income tax brackets were adjusted above the annual rates of inflation – thereby over the medium term – provided both fiscal drag and real income relief.

The monetary amounts of the monthly medical tax credits are increased in line with inflation – thereby maintaining the real value of the medical tax relief for individuals.

These monthly tax credits will be increased from **R230** to **R242** for each of the first two beneficiaries and from **R154** to **R162** for each additional beneficiary with effect from 1 March 2013. As noted previously the medical tax credits provide for a more equitable tax relief dispensation and makes medical scheme membership more affordable for middle income earners.

Non-retirement savings

Government intends to proceed with the implementation of tax-preferred savings and investment accounts. All returns accrued within these accounts and any withdrawals would be exempt from tax. The account would have an initial annual contribution limit of R30 000 and a lifetime limit of R500 000, to be increased regularly in line with inflation. The new accounts will be introduced by April 2015. (For 2014 legislation)

In the meantime, with effect from 1 March 2013, tax-free interest-income annual thresholds will be increased from R33 000 to **R34 500** for individuals 65 years and over, and from R22 800 to **R23 800** for individuals below 65 years. These thresholds will not be adjusted for inflation in future years.

Tax relief to small businesses

The Bill provides income tax relief for small businesses. The monetary brackets of the graduated income tax table for small business corporation were increased and additional lower 21 per cent income tax bracket is introduced. In addition the monetary annual turnover (sales) amount for a qualifying small business corporation is increased for R14 million to R20 million per annum.

Indirect taxes

The Bill also provides for increases in the monetary amounts of various specific indirect taxes. Tobacco excise duties are increased between 5.8 and 10 per cent and excise duties on alcoholic beverages are increased between 5.7 and 10 per cent.

Other indirect taxes that were increased by way of amendments to Schedules to the Customs and Excise Act and not included in this Bill

- The general fuel levy and Road Accident Fund levy was increased by 15 c/l and 8 c/l respectively with effect from 3 April 2013.
- The motor vehicle CO₂ emissions tax encourages consumers to buy vehicles with lower carbon emissions. This tax for passenger vehicles was increased from R75 to R90 for every gram of emissions/km above 120 gCO₂/km and, in the case of double cabs, from R100 to R125 for every gram/km in excess of 175 gCO₂/km, with effective from 1 April 2013.
- The levy on plastic shopping bags, which has been at 4c/bag since 2009, was increased to 6c/bag as from 1 April 2013.
- The levy on incandescent light bulbs was increased from R3 to R4 per bulb as from 1 April 2013.

Economic growth and tax revenue outlook

While the South African economy has continued to grow since the 2009 recession, the moderate pace of economic growth has adversely affected revenue performance during 2012/13. The modest nominal growth tax revenues during 2012/13 is largely the result of weak economic growth during the second half of 2012, the pedestrian growth in our major exporting countries, especially Europe, labour unrest and lower commodity prices. Tax revenues are expected to improve over the medium-term expenditure framework (MTEF) period in line with expectations of improved economic growth and marginally higher levels of commodity prices.

Mister Speaker, I hereby table the Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2013.