

# Key insights from the 2024 National Budget Speech

28 February 2024

On Wednesday, 21 February 2024, Minister of Finance, Mr Enoch Godongwana delivered the 2024 National Budget Speech.

Financial planning expert, Annalise De Meillon Muller, Head of Technical Support at Glacier by Sanlam and Palesa Mokoena, Technical Support Specialist at Glacier Business Development, highlight seven key proposals from the 2024 Budget, which relates to financial planning.

In his speech, the Minister noted that the fiscal challenge for South Africa is that the “size of the pie is not growing fast enough to meet our developmental needs.” The review of the Budget further highlighted the fact that despite the global economic growth forecast of 3.1%, South Africa’s economic growth rate for 2023 has been revised down to 0.6% due to widespread power cuts, operational and maintenance failures in freight rail and at ports, and high living costs. Tax Revenue for the 2023/2024 tax year was also lower due to the decline in corporate profits. Read more on what was said [here](#).

## Seven key proposals related to financial planning

### 1. No changes to personal income tax brackets, rebates and medical tax credits

Income tax for individuals and trusts remain unchanged for the 2024/2025 tax year as no inflation adjustments to the personal income tax tables and medical tax credits are provided. As a result, individuals whose salaries have increased will pay more in tax due to “bracket creep”.

### 2. Taxes that remain unchanged

There were no changes to the following:

1. VAT
2. Estate Duty
3. Donations Tax

4. Capital Gains Tax
  5. Dividends Withholding Tax
  6. Tax on business entities (27%)
  7. Limits for contributions to a Tax-Free Savings Account
  8. Retirement fund lump sum withdrawal and retirement tax tables
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3. Interest exemption

It was clarified that the South African source interest exemption for interest earned by the estate of a deceased person is R23 800.

Interest earned by non-residents, who are physically absent from South Africa for at least 183 days (previously 182 days) during the 12-month period before the interest accrues, is exempt from income tax.

4. Rebate for foreign taxes on income in respect of capital gains

Section 6quat of the Income Tax Act currently makes provision for a taxpayer to receive credit for the taxes paid in another foreign jurisdiction. This credit is, however, limited to the value of the South African tax paid. It is now proposed that Section 6quat of the Income Tax Act be amended to also allow for this credit when it relates to taxes payable on capital gains. Taxes payable in a foreign jurisdiction on the disposal of an asset will therefore also result in a tax credit against tax payable in South Africa. This will ensure a similar treatment as for foreign tax credits for taxable foreign dividends.

5. Transfers between retirement funds by members who are 55 years or older who defer/postpone retirement

In the 2023 Taxation Law Amendment Act, changes were made to the legislation to allow for tax-neutral transfers between retirement funds for members of pension or provident funds who have reached the normal retirement age, but have not yet elected to retire, to transfer their retirement interest tax-free if it is an involuntary transfer.

It has now come to government's attention that the law only allows certain tax-free transfers of an involuntary nature but excludes transfers from one retirement annuity fund to another for members who are older than the normal retirement age. It is proposed that the law be amended to allow involuntary transfers of this nature as well.

Note: The above proposal specifically refers to "involuntary" transfers between retirement annuity funds. Given that transfers between retirement annuity funds are usually voluntary, further clarity will be required regarding this proposal.

6. Two-pot retirement reform to be implemented on 1 September 2024

The two-pot retirement system is proposed to come into effect on 1 September 2024 and will apply to both defined contribution funds and defined benefit funds. The two-pot retirement system reform changes will be implemented through amendments contained in the Revenue Laws Amendment Bill and the Pension Fund Amendment Bill, both currently before Parliament. This will enable changes to fund rules of retirement funds.

You can read more about the two-pot retirement system on the Glacier Insights [Retirement Reform page](#).

## 7. Expanding the provision requiring the presentation of relevant information in person

SARS may require a person to be interviewed in person at a SARS office concerning their tax affairs. Such an interview is intended to clarify issues of concern to SARS or to expedite a current verification or audit. Taxpayers should note that it is now proposed that the provision be expanded to also include instances where a taxpayer is subject to recovery proceedings for an outstanding tax debt or has applied for debt relief, to expedite the processes.

Sources:

<https://www.sanews.gov.za/south-africa/economic-growth-stay-low-over-next-three-years>

<https://www.glacierinsights.co.za/blog/retirement-insights/retirement-reform>

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Glacier Financial Solutions (Pty) Ltd.

A member of the Sanlam Group  
Private Bag X5 | Tyger Valley 7536 | Email [client.services@glacier.co.za](mailto:client.services@glacier.co.za) | Tel +27 21 917 9002 / 0860 452 364 | Fax +27 21 947 9210 |  
Web [www.glacier.co.za](http://www.glacier.co.za) | Reg No 1999/025360/07  
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Private Bag X8 | Tyger Valley 7536 | Tel +27 21 950 2600 | Fax +27 21 950 2126 | Web [www.smmi.com](http://www.smmi.com) | \*Reg No 2002/030939/07  
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