

## SOUTH AFRICA'S 2021 BUDGET IN A NUTSHELL

The 2021 budget speech, delivered by Finance Minister, Tito Mboweni on 24 February 2021 saw tax payers breathe a sigh of relief as there were no substantial tax hikes. The personal income tax brackets will increase by 5%, which is more than inflation.

The proposals aim to ensure that South Africa manages the short-lived economic challenges including the impact of COVID-19 while addressing the long-lasting structural challenges that face the country.

**COVID-19 Vaccine**  
rollout over next two years -  
**R10 billion**  
Contingency reserve  
**R12 billion**

Above inflation personal  
**income tax relief**  
of **R2.2 billion** by  
adjusting **brackets** and  
**rebates**

### Annuitisation for Provident Funds took place on 1 March 2021

**8% Tax**  
increase on  
**alcohol and**  
**tobacco** for  
**2021/22**

Spirits

**R5.50**  
per 750ml  
bottle

**Plastic bag levy**  
reduced to **12.5c** p/bag  
for **bio-based plastic**  
**bags**, date TBA later in the  
year.

The general **fuel levy** will **increase**  
by **15c** p/litre and the **road**  
**accident fund levy** will  
**increase** by **11c** with effect from  
**7 April 2021**.

This will increase:

- General fuel levy to R3.85 p/litre of petrol and to R3.70 p/litre of diesel.
- The road accident fund levy to R2.18 p/litre for both petrol and diesel.

**State old age grant**  
**State old age grant, over 75**  
**War veterans grant**  
**Disability grant**  
**Foster care grant**  
**Care dependency grant**  
**Child support grant**

2020/21	R1 860
2021/22	R1 890
2020/21	R1 880
2021/22	R1 910
2020/21	R1 880
2021/22	R1 910
2020/21	R1 860
2021/22	R1 890
2020/21	R1 040
2021/22	R1 050
2020/21	R1 860
2021/22	R1 890
2020/21	R445
2021/22	R460

### 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. The provident and provident preservation fund annuitisation regimes came 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 an annuity. However, **this change will only apply in respect of FUTURE contributions made from March 2021 onwards.**

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.

In the words of Minister Mboweni:

*"Finally, to the millions of South Africans who faced, and continue to face, enormous difficulties and challenges, we ask you to take courage, persevere and walk with us. Above all, let us heed the counsel of Archbishop Tutu: See that there is light despite all of the darkness. A prosperous future is possible for our beautiful country. Gloria est consequenda - Glory must be sought after! I thank you."*

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