

June 2023

South Africa - Interest Rate Change

The "official rate of interest" for calculating the taxable benefit on low interest or interest-free loans has increased by 0.50% with effect from 01 June 2023.

Click [here](#) for the South African Reserve Bank website.

Interest Rate Increase

Where a loan is obtained by an employee from his employer and either no interest is payable or the interest payable is less than the "official rate of interest", the difference between the amounts calculated at the official rate of interest, and the amount calculated at the interest rate applied by the employer, is a taxable fringe benefit. The fringe benefit value must be processed in the payroll and reported on the tax certificate against the general fringe benefits IRPS code 3801.

The "official rate of interest" is defined in section 1(1) of the Income Tax Act as the rate of interest that is equal to the RSA repurchase rate ("repo rate") plus 100 basis points (1%). The official rate of interest changes from the first day of the month following the date on which the repo rate change comes into effect.

The repo rate has increased from 7.75% to 8.25% on 26 May 2023, therefore, the official interest rate has increased to 9.25% effective 1 June 2023.

Paymaster Impact

- The new interest rate has been implemented on the system effective 01 June 2023.
- Customers with the "Loan Deduction Fringe Benefit" component have been recalculated.