Tax Guide 2010 / 2011

Accounting Services

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 28 February 2011)

Individuals and special trusts

Taxable Income [R]	Rate of Tax [R]
0 - 140 000	18% of taxable income
140 001 - 221 000	25 200 + 25% of taxable income above 140 000
221 001 - 305 000	45 450 + 30% of taxable income above 221 000
305 001 - 431 000	70 650 + 35% of taxable income above 305 000
431 001 - 552 000	114 750 + 38% of taxable income above 431 000
552 001 and above	160 730 + 40% of taxable income above 552 000

Trusts other than special trusts: Rate of Tax - 40%

Tax Rebates

Primary	R 10 260
Secondary (Persons 65 and older)	R 5 675

Tax Thresholds

Age	Tax Threshold
Below age 65	R 57 000
Age 65 to below 75	R 88 528

Provisional Tax

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person's principal. The following individuals are exempt from the payment of provisional tax:

- Individuals below the age of 65 who do not carry on a business and whose taxable income
  - will not exceed the tax threshold for the tax year; or
  - from interest, dividends and rental will be R20 000 or less for the tax year.
- Individuals age 65 and older if their taxable income for the tax year
  - consists exclusively of remuneration, interest, dividends or rent from the letting of fixed property; and
  - is R120 000 or less.

Retirement fund lump sum withdrawal benefits

Taxable Income [R]	Rate of Tax [R]
0 - 22 500	0% of taxable income
22 501 - 600 000	18% of taxable income above 22 500
600 001 - 900 000	103 950 + 27% of taxable income above 600 000
900 001 and above	184 950 + 36% of taxable income above 900 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal. Tax on a specific retirement fund lump sum withdrawal benefit (X) is equal to

- tax determined by applying the tax table to the aggregate of that lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009 and all retirement fund lump sum benefits accruing from October 2007; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009 and all retirement fund lump sum benefits accruing from October 2007.

Retirement fund lump sum benefits or severance benefits

Taxable Income [R]	Rate of Tax [R]
0 - 300 000	0% of taxable income
300 001 - 600 000	18% of taxable income above 300 000
600 001 - 900 000	54 000 + 27% of taxable income above 600 000
900 001 and above	135 000 + 36% of taxable income above 900 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of employer's trade. Tax on a specific retirement fund lump sum benefit or a severance benefit (Y) is equal to

- tax determined by applying the tax table to the aggregate of that lump sum or severance benefit Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009; less
- tax determined by applying the tax table to the aggregate of that lump sum or lump sum benefits accruing before lump sum Y from October 2007 and all Retirement fund lump sum withdrawal benefits accruing from March 2009.

Foreign Dividends

Most dividends received by individuals from foreign entities are taxable.

Exemptions

Interest and dividends

- Interest earned by any natural person under 65 years of age, up to R22 300 per annum, and persons 65 and older, up to R32 000 per annum, are exempt from taxation. Foreign interest and foreign dividends are only exempt up to R3 700 out of the total exemption.
- Interest is exempt where earned by non-residents who are physically absent from South Africa for 183 days or more per annum and who are not carrying on business in South Africa

Deductions

Current pension fund contributions

The greater of

- 7,5% of remuneration from retirement funding employment, or
- R1 750.

Any excess may not be carried forward to the following year of assessment.

Arrear pensions fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Current retirement annuity fund contributions

The greater of

- 15% of taxable income other than from retirement funding employment, or
- R3 500 less current deductions to a pension fund, or
- R1 750.

Any excess may be carried forward to the following year of assessment.

Arrear retirement annuity fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Medical and disability expenses

- Taxpayers 65 and older may claim all qualifying expenditure.
- Taxpayers under 65 may claim all qualifying medical expenses where the taxpayer or the taxpayer's spouse or child is a person with a disability.
- Other taxpayers under 65 may deduct monthly contributions to medical schemes up to R670 for each of the first two dependants on their medical scheme and R 410 for each additional dependant. In addition they can claim a deduction for medical scheme contributions above the caps and any other medical expenses limited to the amount which exceeds 7,5% of taxable income (excluding retirement fund lump sums).

Donations
Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income before deducting medical expenses (excluding retirement fund lump sums).

Allowances

Subsistence allowances and advances
Where the recipient is obliged to spend at least one night way from his/her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for

- meals and incidental costs, an amount of R276 p/d is deemed to have been expended;
- incidental costs only, an amount of R85 for each day which falls within the period is deemed to have been expended

Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under: *Legal & Policy / Legislation / Regulations and Government Notices / Income Tax Act, 1962*

Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business travel, where no records of actual costs are kept are determined by using the following table.

Value of the vehicle (Including VAT) [R]	**Fixed cost [R.p.a]**	**Fuel cost [c/km]**	**Maintenance cost [c/km]**
0 - 40 000	14 672	58.6	21.7
40 001 - 80 000	29 106	58.6	21.7
80 001 - 120 000	39 928	62.5	24.2
120 001 - 160 000	50 749	68.6	28.0
160 001 - 200 000	63 424	68.8	41.4
200 001 - 240 000	76 041	81.5	46.4
240 001 - 280 000	86 211	81.5	46.4
280 001 - 320 000	96 260	85.7	49.4
320 001 - 360 000	106 367	94.6	56.2
360 001 - 400 000	116 012	110.3	75.2
exceeding 400 000	116 012	110.3	75.2

Notes:
The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

Alternative to the rate table:

- Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 292 cents per kilometre, regardless of the value of the vehicle.
- This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.

The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travelling allowance.

80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE.

Other deductions

Other than the deductions set out above an individual may only claim deductions against employment income or allowances in limited specified situations, e.g. bad debt in respect of salary and premiums on certain income protection policies.

Fringe Benefits

Employer-owned vehicles

- The taxable value is 2,5% of the determined value (usually the cash cost excluding VAT) per month. Where a second (and further) vehicle is made available to an employee or his family, and the vehicle is not used primarily for business purposes, the benefit is 2,5% per month on the vehicle with the highest value and 4% per month on the other vehicle(s).
- Where the employee bears the cost of all fuel used for the purposes of the private use of the vehicle (including travelling between the employee's place of residence and his her place of employment) the monthly percentage to be applied is reduced by 0,22 percentage points.
- If the employee bears the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres) the monthly percentage to be applied is reduced by 0,18 percentage points

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income.

Residential accommodation

The fringe benefit to be included in gross income is the greater of the benefit calculated by applying a prescribed formula or the cost to the employer

The formula will apply if the accommodation is owned by the employer, or an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2010 and 31 March 2011

Type	Rate of Tax
Companies	28%
Personal service provider companies	33%
Foreign resident companies which earn income from	
a source in South Africa	33%

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2010 and 31 March 2011

Taxable Income [R]	Rate of Tax [R]
0 - 57 000	0%
57 000 – 300 000	10% of the amount above 57 000
300 001 and above	24 300 + 28% of the amount above 300 000

SECONDARY TAX ON COMPANIES (STC)

STC is imposed at a rate of 10% on dividends declared by resident companies after being reduced by dividends receivable during a dividend cycle. South African branches of foreign resident companies are exempt from STC.

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on 29 February 2011

Taxable Income [R]	Rate of Tax [R]
0 – 100 000	0%
100 001 – 300 000	1% of the amount above 100 000
300 001 – 500 000	2 000 + 3% of the amount above 300 000
500 001 – 750 000	8 000 + 5% of the amount above 500 000
750 001 and above	20 500 + 7% of the amount above 750 000

RESIDENCE BASIS OF TAXATION

Residents are taxed on their worldwide income, subject to certain exclusions. Foreign taxes on that income are allowed as a credit against South African tax payable.
This is applicable to individuals, companies, close corporations and trusts.

TAXATION OF CAPITAL GAINS

Capital gains on the disposal of assets are included in taxable income.

Maximum effective rate of tax:

Individuals	10%
Companies	14%
Trusts	20%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

The following are some of the specific exclusions:

- R1,5 million gain/loss on the disposal of a primary residence or the disposal of a primary residence for an amount of R2 million or less
- most personal use assets
- retirement benefits
- payments in respect of original long-term insurance policies
- annual exclusion of R17 500 capital gain or capital loss is granted to individuals and special trusts
- instead of the annual exclusion, the exclusion granted to individuals is R120 000 during the year of death.

OTHER TAXES DUTIES AND LEVIES

Value-added Tax (VAT)

VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors.

A vendor making taxable supplies of more than R1 million per annum must register for VAT and a vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT.

Transfer Duty

Transfer duty is payable at the following rates on transactions which are not subject to VAT:

Acquisition of property by all persons

Value of Property [R]	Rate
0 – 500 000	0%
500 001 – 1 000 000	5% of the value above R500 000
1 000 001 and above	R25 000 + 8% of the value exceeding R1 000 000

- Acquisition of property by persons other than natural persons:

- 8% of the value

Estate Duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents.

A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

Donations Tax

- Donations tax is levied at a flat rate of 20% on the value of property donated.
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax.
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses and donations to certain public benefit organisations are exempt from donations tax.

Securities Transfer Tax

The tax is imposed at a rate of a ¼% on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

Tax on International Air Travel

R150 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R80.

Skills Development Levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of Skills Development Levies.

Unemployment Insurance Contributions

Unemployment Insurance Contributions are payable monthly by employers on the basis of a contribution of 1 per cent by employers and 1 per cent by employees, based on employees' remuneration below a certain amount.

Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

OTHER TAX PROPOSALS

- Introduce a voluntary disclosure programme during a one year window period from November 2010.
- Legislative amendments to address a number of aggressive tax schemes
- Discontinue the SITE system from 1 March 2011
- Introduce a carbon emissions tax of R75 per g/km for each g/km above 120g/km on new passenger vehicles from 1 September 2010
- Total fuel and road accident fund levies increase of 25.5c per litre of petrol and diesel from 7 April 2010

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