Tax Guide 2011 / 2012

Accounting Services

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 29 February 2012)

Individuals and special trusts

Taxable Income [R]	Rate of Tax [R]
0 - 150 000	18% of taxable income
150 001 - 235 000	27 000 + 25% of taxable income above 150 000
235 001 - 325 000	48 250 + 30% of taxable income above 235 000
325 001 - 455 000	75 250 + 35% of taxable income above 325 000
455 001 - 580 000	120 750 + 38% of taxable income above 455 000
580 001 and above	168 250 + 40% of taxable income above 580 000

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

Tax Rebates

Primary	R 10 755
Secondary (Persons 65 and older)	R 6 012
Tertiary (Persons 75 and older)	R 2 000

Tax Thresholds

Age	Tax Threshold
Below age 65	R 59 750
Age 65 to below 75	R 93 150
Age 75 and over	R 104 261

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 and all severance benefits received or accruing from March 2011; 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 and all severance benefits received or accruing from March 2011.

Retirement fund lump sum benefits or severance benefits

Taxable Income [R]	Rate of Tax [R]
0 - 315 000	0% of taxable income
315 001 - 630 000	18% of taxable income above 315 000
630 001 - 945 000	56 700 + 27% of taxable income above 630 000
945 001 and above	141 750 + 36% of taxable income above 945 000

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 and all other severance benefits received or accruing from March 2011;
- 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 benefits consist of lump sums from a pension, pension and all severance benefits received or accruing before severance benefit Y from March 2011.

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 800 per annum, and persons 65 and older, up to R33 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 R720 for each of the first two dependants on their medical scheme and R 440 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 R286 p/d is deemed to have been expended;

- incidental costs only, an amount of R88 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 - 60 000	19 492	64.6	26.4
60 001 - 120 000	38 726	68.0	29.2
120 001 - 180 000	52 594	71.3	31.9
180 001 - 240 000	66 440	77.7	35.0
240 001 - 300 000	79 185	87.0	44.7
300 001 - 360 000	91 873	93.9	54.2
360 001 - 420 000	105 809	100.9	65.8
420 001 - 480 000	119 683	113.1	67.6
exceeding 480 000	119 683	113.1	67.6

Notes:

- 80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan)
- 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.
- 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.

Alternatively:

- 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 305 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.

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 3,5% of the determined value (the cash cost including VAT) per month of each vehicle. Where the vehicle is the subject of a maintenance plan at the time that the employer acquired the vehicle the taxable value is 3,25% of the determined value.

- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

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 2011 and 31 March 2012

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 2011 and 31 March 2012

Taxable Income [R]	Rate of Tax [R]
0 - 59 750	0%
59 751 – 300 000	10% of the amount above 59 750
300 001 and above	24 025 + 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 2012

Taxable Income [R]	Rate of Tax [R]
0 – 150 000	0%
150 001 – 300 000	1% of the amount above 150 000
300 001 – 500 000	1 500 + 3% of the amount above 300 000
500 001 – 750 000	7 500 + 5% of the amount above 500 000
750 001 and above	20 000 + 7% of the amount above 750 000

Note: The above rates may be subject to change during the course of the year.

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 R20 000 capital gain or capital loss is granted to individuals and special trusts
- exclusion on death of R200 000.
- small business exclusion for individuals of R900 000

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 – 600 000	0%
600 001 – 1 000 000	3% of the value above R600 000
1 000 001 – 1 500 000	R12 000 + 5% of the value above R 1000 000
1 500 001 and above	R37 000 + 8% of the value exceeding R1 500 000

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. The tax will be increased to R190 and R100, respectively, from 1 October 2011

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% by employers and 1% 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.

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