# Tax Guide 2012 / 2013

Accounting Services

## INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 28 February 2013)

### Individuals and special trusts

| Taxable Income [R] | Rate of Tax [R] |
|---|---|
| 0 - 160 000 | 18% of taxable income |
| 160 001 - 250 000 | 28 800 + 25% of taxable income above 160 000 |
| 250 001 - 346 000 | 51 300 + 30% of taxable income above 250 000 |
| 346 001 - 484 000 | 80 100 + 35% of taxable income above 346 000 |
| 484 001 - 617 000 | 128 400 + 38% of taxable income above 484 000 |
| 617 001 and above | 178 940 + 40% of taxable income above 617 000 |

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

### Tax Rebates

| | |
|---|---|
| Primary | R 11 440 |
| Secondary (Persons 65 and older) | R 6 390 |
| Tertiary (Persons 75 and older) | R 2 130 |

### Tax Thresholds

| Age | Tax Threshold |
|---|---|
| Below age 65 | R 63 556 |
| Age 65 to below 75 | R 99 056 |
| Age 75 and over | R 110 889 |

### 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.

A provisional tax return showing an estimate of total taxable income for the year of assessment is only to be submitted if the Commissioner for SARS so requires.

### 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 foreign dividens received by individuals from foreign companies (shareholding of less than 10 per cent in the foreign company) are taxable at a maximum effective rate of 15 per cent. No deductions are allowed for expenditure to produce foreign dividends.

## 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 in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R 230 for each of the taxpayer and the first dependant on the medical scheme and R 154 for each additional dependant. When determining taxable income they can also claim a deduction for medical scheme contributions exceeding four times the amount of the medical schemes fees tax credits 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 R303 p/d is deemed to have been expended;

- incidental costs only, an amount of R93 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 | 73.7 | 25.7 |
| 60 001 - 120 000 | 38 726 | 77.6 | 29.0 |
| 120 001 - 180 000 | 52 594 | 81.5 | 32.3 |
| 180 001 - 240 000 | 66 440 | 89.6 | 36.9 |
| 240 001 - 300 000 | 79 185 | 102.7 | 45.2 |
| 300 001 - 360 000 | 91 873 | 117.1 | 53.7 |
| 360 001 - 420 000 | 105 809 | 119.3 | 65.2 |
| 420 001 - 480 000 | 119 683 | 133.6 | 68.3 |
| exceeding 480 000 | 119 683 | 133.6 | 68.3 |

**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 316 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.

## DIVIDENDS TAX

Dividends tax is imposed at 15% from 1 April 2012 on dividends declared and paid by resident companies and by non-resident companies in respect of shares listed on the JSE.

Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person.

The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

## 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 2012 and 31 March 2013

| Taxable Income [R] | Rate of Tax [R] |
|---|---|
| 0 - 63 556 | 0% |
| 63 557 – 350 000 | 7% of the amount above 63 556 |
| 350 001 and above | 20 051 + 28% of the amount above 350 000 |

## SECONDARY TAX ON COMPANIES (STC)

STC is imposed at a rate of 10% on dividends declared by resident companies until 31 March 2012 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 any date between 1 April 2012 and 31 March 2013

| 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 + 2% of the amount above 300 000 |
| 500 001 – 750 000 | 5 500 + 4% of the amount above 500 000 |
| 750 001 and above | 15500 + 6% 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 | 13.3% |
| Companies | 18.6% |
| Trusts | 26.7% |

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

**The following are some of the specific exclusions:**

- R2 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 R30 000 capital gain or capital loss is granted to individuals and special trusts
- small business exclusion of capital gains for individuals (at least 55 years of age) of R 1.8 million when a small business with a market value not exceeding R 10 million is disposed of
- instead of the annual exclusion, the exclusion granted to individuals is R 300 000 for 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 – 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

R190 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.

## 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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