



# Tax Guide 2009 / 2010

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This Tax Guide is an easy reference synopsis of the most important tax, duty and levy related information, incorporating announcements made in the Budget, delivered in February 2009.

The Guide is designed to inform and assist clients in light of the number of tax changes proposed in the budget.

**IMPORTANT NOTE**

The information contained herein, is a summary of current legislation and budget proposals. We suggest that you do not act solely on this material as the nature of the information provided is general and may in certain circumstances be subject to misinterpretation. In addition, the budget proposals may not include all legislative adjustments which could be made in the near future. Consequently, we recommend that our advice be sought when encountering these potentially problematic areas.

While every care has been taken in the compilation of this information, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.

## Income Tax: Individuals & Trusts

Tax Rates (year of assessment ending 28 February 2010)

### Individuals and Special Trusts

Taxable Income (R)	Rates of Tax (R)
0 – 132 000	18% of each R1
132 001 – 210 000	R 23 760 + 25% of the amount over R132 000
210 001 – 290 000	R 43 260 + 30% of the amount over R210 000
290 001 – 410 000	R 67 260 + 35% of the amount over R290 000
410 001 – 525 000	R109 260+ 38% of the amount over R410 000
525 001 +	R152 960+ 40% of the amount over R525 000

### Trusts other than Special Trusts

Rate of Tax	40%
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### Tax Rebates

Rebates	Rands
Primary	R9 756
Additional (Persons 65 +)	R5 400

### Tax Thresholds

Age	Tax Threshold (Rands)
Below age 65	R54 200
Age 65 and over	R84 200

### 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 –
  - o will not exceed the tax threshold for the tax year or
  - o from interest, dividends and rental will be R20 000 or less for the tax year
- Individuals age 65 and older if their annual taxable income –
  - o consists exclusively of remuneration, interest, dividends or rent from the lease of fixed property; and
  - o is R120 000 or less for the tax year

### **Retirement Fund Lump Sum Withdrawal Benefits**

Taxable Income (R)	Rates of Tax (R)
0 – 300 000	18% of each R1
300 001 – 600 000	R 54 000 + 27% of the amount above R300 000
600 001 and above	R135 000 + 36% of the amount above R600 000

The taxable income from a retirement fund lump sum withdrawal benefit (lump sum from a pension, provident or retirement annuity fund on withdrawal) is determined after deducting a lifetime exemption of R22 500. The tax payable is determined by applying the rate table to the aggregate of the taxable portions of all retirement fund lump sum withdrawal benefits accrued during the current and previous years of assessment and deducting tax payable according to the current tax table on the aggregate of those lump sums accrued during previous years of assessment.

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The taxable income from a retirement fund lump sum benefit (lump sum from a pension, provident or retirement annuity fund on retirement) is determined after deducting a lifetime exemption of R300 000. The tax payable is determined by applying the rate table to the aggregate of the taxable portions of all retirement fund lump sum benefits and retirement fund lump sum withdrawal benefits accrued during the current and previous years of assessment and deducting tax payable according to the current tax table on the aggregate of those lump sums accrued during previous years of assessment.

### **Foreign Dividends**

Most dividends received by individuals from foreign entities are taxable.

### **Exemptions**

Interest and dividends

- Interest and otherwise taxable dividends earned by any natural person under 65 years of age, up to R21 000 per annum, and persons 65 and older, up to R30 000 per annum, are exempt from taxation. Foreign interest and foreign dividends are only exempt up to R3 500 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 pension 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 physical disability expenses

- Taxpayers 65 and older may claim all qualifying expenditure
- Taxpayers under 65 are not taxed on, or may deduct, monthly contributions to medical schemes up to R625 for each of the first two dependants on their medical scheme and R380 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
- 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.

## **Donations**

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income before deducting medical expenses.

## Allowances

### Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away 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 advance is granted to pay for:

- meals and incidental costs, an amount of R260 per day is deemed to have been expended;
- incidental costs only, an amount of R80 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, the daily amount deemed to have been expended is available on the SARS website.

### 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.

Value of the vehicle (including VAT) (R)	Fixed cost (Rpa)	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	41.1
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

Note: 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. Of the actual distance travelled during a tax year, in the absence of a log book, it is deemed that the first 18 000 kilometres are travelled for private purposes and the balance, but not exceeding 14 000 kilometres are travelled for business purposes.

60% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE.

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 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

### 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 2009 and 31 March 2010)

<u>Type</u>	<u>Rate of Tax</u>
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 2009 and 31 March 2010)

<u>Taxable Income (R)</u>	<u>Rate of Tax (R)</u>
0 – R54 200	0 %
R54 201 – R300 000	10 % of amount above R54 200
R300 001 and above	R24 580 + 28 % of amount above R300 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 Microbusinesses

Financial year ending on 28 February 2010

<u>Taxable Turnover (R)</u>	<u>Rate of Tax (R)</u>
0 – R100 000	0 %
R100 001 – R300 000	1% of amount above R100 000
R300 001 – R500 000	R2000 + 3% of amount above R300 000
R500 001 – R750 000	R8000 + 5% of amount above R500 000
R750 001 and above	R20 500 + 7% of amount above R750 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 & 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 R20 000 (R50 000 from March 2010) 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 rate on transactions which are not subject to VAT:

- Acquisition of property by natural persons:

<u>Value of property (R)</u>	<u>Rate</u>
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 all 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.

## Stamp Duty

Stamp duty is imposed on:

- Lease agreements of fixed property (exemption for agreements for a rental period 5 years or shorter) – 0,5% (No stamp duty is payable on leases entered into after 1 April 2009.)
- Registration of transfer and cancellation of unlisted marketable securities (exemption for interest-bearing securities) – 0,25% until 30 June 2008.

### **Securities Transfer Tax**

The tax is imposed at a rate of 0,25% 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 SACU countries 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% 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.

### **SARS INTEREST RATES**

<u>Rates of Interest</u>	<u>Rate</u>
Effective from 1 September 2008	
Fringe benefits – interest-free or low-interest loan (official rate)	13% pa
Late or under-payments of tax	15% pa
Refund of overpayments of provisional tax	11% pa
Refund of tax on successful appeal or where the appeal was conceded by SARS	15% pa
Refund of VAT after prescribed period	15% pa
Late payments of VAT	15% pa
Customs and Excise	15% pa

## Other Tax Proposals

- Development of further rules for the replacement of Secondary Tax on Companies with Dividends Tax towards the end of 2010
- Total fuel and Road Accident Fund levies increase by 40.5c per litre of petrol
- Reform excise duties on motor vehicles to incorporate CO2 emissions as an environmental criterion
- Introduce an environmental levy on incandescent (filament) light bulbs of up to R3 per bulb
- Increase plastic shopping bag levy to 4c per bag