



Income Tax for Individuals

South African residents are taxed on their worldwide income with certain exemptions. Foreign residents are taxed on their South African source income only. South African residents may also be taxed on a proportionate amount of the net income (and capital gains) of a controlled foreign company, based on their participation rights in that company.

SARS may include in the taxable income of a resident an estimated amount of foreign income or capital gains based on undisclosed foreign currency or assets and calculated by using the official rate of interest, 12% from 1 March 2008.

The tax rates, rebates, exemptions and deductions set out below are in respect of the year of assessment ending on 28 February 2009.

Tax rates and rebates

Individuals, Estates & Special Trusts (1)		
Taxable income exceeds	but does not exceed	Tax Payable as
R 0	R 122 000	18%
R122001	R 190 000	R 21 960 + 25%
R190 001	R 270 000	R 40 210 + 30%
R270 001	R 380 000	R 62 710 + 35%
R380 001	R 490 000	R 101 210 + 38%
R490 001+		R 143 010 + 40%
Other Trusts		
Tax Rate: 40%		

Note 1: Trusts for the benefit of disabled or ill persons and testamentary trusts established for the benefit of minor children.

Primary Rebate: All individuals	R8280
Age Rebate:* 65 years and older	R5040
* Additional to primary rebate.	
Tax Threshold: Below age 65 years	R46 000
65 years and older	R74 000

Exemptions

Interest and foreign dividends:

- Individuals under 65 years of age R19 000 per annum
- Individuals over 65 years R27 500 per annum

Notes : 1. Only R3 200 of foreign dividends and foreign interest is exempt.
The R3 200 exemption applies first to foreign dividends and then to foreign interest.
2. Non-residents are generally exempt from tax on interest.

Dividends:

Foreign dividends i.e. essentially dividends paid by a non-resident company are subject to income tax in the hands of South African residents. Local dividends and dividends from foreign companies in which more than 20% of the equity is held are exempt.

Deductions

Medical expenses:

- Under 65: Monthly Medical Aid contributions up to R570 for the taxpayer, plus R570 for the first dependant plus R345 for each additional dependant, less employer contributions not considered a fringe benefit. Balance of contributions plus medical expenses exceeding 7.5% of taxable income (before medical deduction).
- Under 65 and physical handicap (taxpayer, spouse or child): Unlimited.
- Over 65 years of age: Unlimited.

Pension fund contributions:

- Current contributions : Limited to the greater of:
 - (a) R1 750; or
 - (b) 7.5% of pensionable remuneration.
- Arrear contributions: R1 800 per annum.

Retirement annuity fund contributions:

- Current contributions: Limited to the greatest of:
 - (a) 15% of net income, excluding income derived from "retirement- funding employment" (i.e. pensionable earnings); or

- (b) R3 500 less deductible current pension contributions; or
 (c) R1 750.
 • Reinstatement contributions: R1 800 per annum.

Note: provident fund contributions made by an individual are not tax deductible.

Donations

Donations made to certain approved public benefit organisations (PBOs) are tax-deductible. The tax deduction is limited to 10% of taxable income (before medical expenses and donations). These organisations include most health care, welfare, education and development, and land and housing organisations, with certain exceptions, and conservation, environmental and animal welfare organisations. Employers are allowed to deduct certain employee donations to PBOs for employees' tax purposes.

Employees' tax

Employees' tax is withheld by an employer from remuneration paid to an employee. Directors of private companies are subject to employees' tax on their "deemed remuneration", calculated in terms of a formula, as well as on any actual remuneration paid or payable to them, unless at least 75% of their remuneration in the previous tax year comprised fixed monthly payments. Employees' tax is classified as:

- PAYE, which is the tax applicable to any portion of net remuneration in excess of R60 000 and to remuneration which is not net remuneration, as defined; or
- SITE, which is non-refundable employees' tax applicable to the first R60 000 per annum of net remuneration earned by employees from standard employment (essentially full-time employment)

Note: SITE payments are now refundable where taxpayers who earn below the tax threshold and do not work for a full year, end up paying income tax.

All allowances paid to employees (except subsistence allowances and travel allowances) are subject to employees' tax in full. Subsistence allowances will be subject to employees' tax if not utilised or refunded by the end of the following month.

Travel allowance

The following table sets out the three components of the rates which may be used in determining the cost of business travel, where actual costs are not used. PAYE is withheld from 60% of travel allowances.

Where the value of the vehicle (including VAT) R	Fixed cost R	Fuel cost c/km	Maintenance cost c/km
0 - 40 000	14 672	58.6	21.7
40 001 - 80 000	29106	62.5	24.2
80 001 - 120 000	39 928	68.8	28.0
120 001 - 160 000	50 749	68.8	41.1
160 001 - 200 000	63 424	81.5	46.4
200 001 - 240 000	76 041	81.5	49.4
240 001 - 280 000	86 211	85.7	49.4
280 001 - 320 000	106 367	94.6	56.2
320 001 - 360 000	116 012	110.3	75.2
360 001 - 400 000	116 012	110.3	75.2
Exceeds R400 000			

If the travel allowance is applicable to a portion of the tax year, the above figures are reduced proportionately.

If no records of business travel are kept, the first 18 000 kilometres will be deemed to be private travel and the balance will be considered to be business travel up to a maximum of 14 000 kilometres i.e. total deemed travel is limited to 32 000 kilometres. Where the travel allowance is based on actual distance travelled and business travel during the tax year does not exceed 8 000 kilometres 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 calculation method is not available if another form of allowance or reimbursement is received from the employer in respect of the vehicle.

Company car fringe benefit

Taxable value per month = 2,5% of determined value (cash cost excluding VAT). Second or subsequent vehicle, not used primarily for business purposes: taxable value per month = 4,0% of the determined value.

Notes:

- Where an employee bears the cost of all fuel used for the private use of the vehicle, the monthly percentage is reduced by 0,22%.
- Where an employee bears the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres), the monthly percentage is reduced by 0,18%.
- If the employee proves that his private travelling is less than 10 000 km per annum (adjusted if the vehicle is used for a lesser period), the taxable benefit may be reduced *pro rata* on assessment.

Subsistence allowance

Subsistence allowances are tax-free if they are granted to an employee who is obliged to spend at least one night away from his usual place of residence whilst on business and if they do not exceed the following amounts:

- US\$215 per day for meals and incidental costs for travel outside the Republic
- R208 per day for meals and incidental costs for travel within the Republic.
- R63,50 per day for incidental costs only within the Republic.

(Source: 2007/2008 SARS Tax Pocket Guide)

Estate Duty

Rate: 20% of the dutiable amount of a deceased estate.

Standard deduction: R3.5 million per estate.

Certain other deductions are allowed, the most important of which is the deduction for property accruing to the surviving spouse.

Donations Tax

Rate: 20% Exemptions include:

- R100 000 per annum (individuals);
- R10 000 per annum (private companies);
- donations between spouses;
- donations to approved public benefit organisations;
- donations by public companies; and
- donations between group companies.

Capital Gains Tax

Inclusion rates

- Individuals, special trusts and individual policyholder funds 25%
- Other taxpayers 50%

Exclusions

Individuals (annual non-cumulative) R	16 000
Individuals in year of death	R120 000
Primary residence exclusion	R1,5 million
Small business assets (in certain circumstances)	R750 000

Transfer Duty

Paid on acquisition of immovable property where the transaction is *not* subject to VAT. Transfer duty is payable on the acquisition of fixed property through an interest in a company, close corporation or trust.

Transfer to a natural person	– first R500 000 consideration	0%
	– R500 001 to R1 000 000	5%
	– excess over R1 000 000	8%
Transfer to a corporate entity or trust		8%

Value-Added Tax

Rates: 14% and 0%

The VAT registration threshold is R1 million taxable supplies per annum

Withholding Taxes

There is a final withholding tax of 12% on royalty payments to non-residents, subject to double tax treaty relief. There is also a withholding tax of 15% on payments to non-resident sportspersons and entertainers who perform in South Africa.

Fixed property acquired in South Africa from a seller who is a non-resident, requires a withholding tax from the payments made to the non-resident at:

- 5% if the non-resident is an individual;
- 7,5% if the non-resident is a company; and
- 10% if the non-resident is a trust.

Withholding tax is not payable if the total amount payable for the immovable property does not exceed R2 million.

Securities Transfer Tax (STT)

From 1 July 2008 a new tax called STT will replace UST (uncertificated securities tax) and stamp duty insofar as it relates to marketable securities. The tax will be imposed at 0,25% on the transfer of listed and unlisted marketable securities.

Corporate Tax Rates**Corporate income tax rates**

- Basic rate (other than entities specified below) 28%
- Small business corporations (annual turnover less than R14m)
 - R0 - R43 000 taxable income 0%
 - R43 001 - R300 000 taxable income 10%
 - R300 001+ taxable income 28%
- An elective presumptive turnover tax applies where turnover is less than R1 million a year. The rates are:

Turnover	Tax Liability
R0 - R100 000	0%
R100 001 - R300 000	2% of each R1 above R100 000
R300 001 - R500 000	R4 000+ 4% of the amount above R300 000
R500 001 - R750 000	R12 000+ 5.5% of the amount above R500 000
R750 001 - R1 000 000	R25 750+ 7.5% of the amount above R750 000

- Employment companies 33%
- Long-term insurers
 - Individual policyholder fund 30%
 - Company policyholder fund 28%
 - Corporate fund 28%
 - Exempt policyholder fund -
- Gold mining companies not subject to STC
 - On gold mining income 45 - (225/x)*
 - * Where "X" is the ratio of taxable income from gold mining to income from gold mining, expressed as a percentage.
 - On other income 37%
- Branches of foreign companies/non-resident companies earning SA source income. 33%
- Public benefit organisations 28%
- Recreational clubs 28%
- Entities qualifying as companies under s37H 0%

Secondary tax on companies (STC)

STC will be replaced with a dividend tax of 10%.

The tax will be levied at a shareholder level but the company will, on distributing dividends, be liable for payment of the tax to SARS.

Dividends will only be taxed when profits reach individuals or non domestic company shareholders.

Skills development levy

Remuneration payable 1%

Note: Employers with annual payroll of less than R500 000 are exempt as well as certain approved PBOs

Capital Allowances for Business

Aircraft and ships Per Annum
Annual 20%

Buildings

- Industrial – manufacture or similar process
 - Commenced 1/7/96 – 30/9/99 10%
 - Other 5%
- Agricultural co-operatives – packing or storage 5%
- Farming – limited to farming taxable income 100%
- Hotels 5%
- Hotel refurbishments 20%
- Residential (at least 5 family units) – initial 10%
- (to be reviewed) – annual 2%
- Designated urban development zones

- Construction
 - first year 20%
 - subsequent 16 years 5%
- Refurbishment 20%
- Newly constructed commercial buildings (and upgrades) 5%

Intellectual property (see research and development)

Costs incurred in *acquiring* i.e. other than developing or creating:

- Inventions, patents or copyrights 5%
- Designs 10%

Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trademarks.

Research and development

Costs incurred in any year of assessment with effect from 2 November 2006:

- Discovery of novel, practical and non obvious information of a scientific or technical nature or devising, developing or creating any invention, patent, design, copyright(excluding trademarks) 150%
- Buildings, plant, machinery, implements or articles used for R&D purposes 50%/30%/20%

Permanent structures(2)

- Oil/gas pipelines 10%
- Electricity transmission lines 5%
- Telephone transmission lines 5%
- Railway tracks 5%
- Aircraft hangars, aprons, runways and taxiways 5%
- New quay walls and other port facilities 5%

Plant and machinery

- New rail locomotives and rail wagons 20%
- Agricultural co-operatives – storage, packing 20%
- Farming equipment (including biofuels equipment) 50%/30%/20%
- Hotel equipment (excluding equipment for offices and staff accommodation) 20%

Plant and machinery (continued)

- Manufacturing or similar process
 - Accelerated depreciation(2) - new only (on or after 1/3/2002) 40%/20%/20%/20%
 - New or unused (1/7/96 – 30/9/99) 33.3%
 - Other 20%
- Renewable energy technology equipment 50%/30%/20%
- Small businesses
 - All depreciable assets 50%/30%/20%
 - Manufacturing assets 100%
 - Non-manufacturing equipment* 50%/30%/20%

*General depreciation regime optional.

Movable capital assets

Assets which are not subject to other capital allowances – wear and tear at rates in terms of Practice Notes 15, 19 and 39. Any asset costing R5 000 or less may be written off in the year in which it is acquired.

Older buildings, plant, aircraft and ships

These may be subject to allowances at different rates.

Disclaimer

This guide is based on the budget proposals tabled in Parliament by the Minister of Finance on 20 February 2009. These proposals are, however, subject to approval by Parliament. The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions.

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