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cutting through complexity

Tax card 2012/2013

Pocket reference guide

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INCOME TAX: Individuals and Trusts

Tax rates (year of assessment ending 28 February 2013)

Taxable income		Rates of tax		
R	R	R		R
0 -	160 000		18% of each	1
160 001 -	250 000	28 800 +	25% of the amount above	160 000
250 001 -	346 000	51 300 +	30% of the amount above	250 000
346 001 -	484 000	80 100 +	35% of the amount above	346 000
484 001 -	617 000	128 400 +	38% of the amount above	484 000
617 001 -	and above	178 940 +	40% of the amount above	617 000

Tax Thresholds

Age	Threshold (R)
Below age 65	63 556
Age 65 to below 75	99 056
Age 75 and over	110 889

Trusts, other than special trusts, will continue to be taxed at a flat rate of 40%.

Tax Rebates

- Primary rebate for natural persons R 11 440
- Secondary rebate for natural persons aged 65 and older R 6 390
- Tertiary rebate for natural persons aged 75 and older R 2 130

Allowance

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 South Africa and the allowance or advance is granted to pay for:

- Meals and incidental costs, an amount of R 303 per day is deemed to have been expended
- Incidental costs only, an amount of R 93 for each day which falls within the period is deemed to have been expended.

For overseas costs the applicable rate per country is available on the SARS website under Legal & Policy / Legislation / Regulations and Government Notices / Income Tax Act, 1962.

Travel Allowance

A log book confirming business kilometres travelled must be maintained in order to claim any deduction for business kilometres. PAYE must be withheld by the employer on 80% of the allowance granted to the employee. The percentage may be reduced to 20% PAYE withholding 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. The employee may claim a deduction at the time of preparing his/her income tax return for business kilometres travelled and will be taxed on the portion of the allowance not claimed as a deduction.

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 reimbursements is received from the employer in respect of the vehicle.

Travel Table

Rates per kilometre which may be used in determining the allowable deduction for business-travel, where no records of actual costs are kept, remain the same:

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

Company Car / Employee Owned Vehicles

The monthly taxable value of a company car is 3.5% of the "determined value" (the cash cost incl.VAT) of each vehicle. If the vehicle is subject to a maintenance plan, this amount is reduced to an amount equal to 3.25% of the "determined value" of vehicle. 80% of the taxable benefit will be subject to PAYE on a monthly basis. The percentage may be reduced to 20% if the employer is satisfied that at least 80% of the use of the company car for the tax year will be for business purposes.

The taxable value may be reduced on assessment of the employee's income tax return in accordance with the ratio of business kilometres travelled to total kilometres travelled.

Further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost was borne by the employee and the number of private kilometres travelled is substantiated by a log book.

Interest and dividend income - natural persons – exemptions

Under 65 years of age – The first R 22 800 of interest income and taxable dividends is exempt.

Over 65 years of age – The first R 33 000 of interest income and taxable dividends is exempt.

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.

Foreign interest and dividends

Up to R 3 700 of the total exemption may be applied to foreign interest and dividends.

With effect from 1 April 2012, where an individual holds less than 10% of the equity share capital of a foreign company, which distributes a dividend, the dividend will be taxed at a maximum effective rate of 15% as determined by a formula.

Deductions from Income

Retirement Annuity Fund contributions

Current retirement annuity fund contributions

The deductible amount is the greater of:

(1) 15 % of taxable income other than from retirement funding employment, or

(2) R 3 500 less current deductions to a pension fund, or

(3) R 1 750.

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.

Donations to certain Public Benefit Organisations

The deduction is limited to 10% of taxable income before deducting medical expenses and donations.

Medical and disability expense

Medical scheme fees tax credit

Taxpayers under the age of 65 years may deduct from their tax liability a tax credit of R 230 for the first two beneficiaries and R154 for each additional beneficiary, in respect of medical aid contributions.

Medical expense deduction

Medical aid contributions in excess of four times the total allowable tax credits, plus out-of-pocket medical expenses which exceed 7.5% of taxable income may be claimed as a deduction against taxable income.

Taxpayers 65 years and older and those with disabilities or with disabled dependents may claim all medical aid contributions and out of pocket medical expenses as a deduction against taxable income.

Taxation of lump sum benefits

Retirement and severance benefits

The tax-free lump sum benefit upon retirement and in respect of severance benefits is R 315 000.

The rates for the taxation of lump sums upon retirement and in respect of severance benefits are set out below:

Taxable income	**Rates of tax**			
R	**R**	**R**		**R**
0 -	315 000		0% of amount	
315 001 -	630 000	0 +	18% of the amount above	315 000
630 001 -	945 000	56 700 +	27% of the amount above	630 000
945 001 and above		141 750 +	36% of the amount above	945 000

Retirement fund lump sum benefits consist of lump sums from a retirement fund on death, retirement or termination of employment due to redundancy or termination of the employer's trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to termination of a person's office or employment.

Taxation of lump sum benefits upon withdrawal from a retirement fund

Taxable income	Rates of tax			
R	R	R		R
0 -	22 500		0% of amount	
22 501 -	600 000	0 +	18% of the amount above	22 500
600 001 -	900 000	103 950 +	27% of the amount above	600 000
900 001 and above		184 950 +	36% of the amount above	900 000

Taxation of divorce order-related retirement benefits

Anomalies that exist in relation to the "clean-break" principle will be addressed so that the overall tax treatment of all divorce-order retirement benefits will fully apply the "clean-break" principal from 1 March 2012.

INCOME TAX: Corporate Taxpayers

Corporate Tax Rates

Rates of normal company tax	
Companies and Close Corporations	28%
Branch and Agency profits tax / Personal Service Providers	33%, reduces to 28% with effect from years of assessment ending 1 April 2012
South African sourced income of foreign resident	33%, reduces to 28% with effect from years of assessment ending 1 April 2012
Small business corporations (for financial years ending during 1 April 2012 – 31 March 2013)	
• R0 – R63 556 of taxable income	0
• R63 557 – R350 000 of taxable income	7% of the amounts above R63 556
• R350 001 and above of taxable income	R20 051 + 28% of the amount above R350 000
Turnover tax for micro businesses (for financial years ending during 1 April 2012 – 31 March 2013)	
• R0 – R150 000 of taxable turnover	0
• R150 001 – R300 000 of taxable turnover	1% of the amount above R150 000
• R300 001 – R500 000 of taxable turnover	R1 500 + 2% of the amount above R300 000
• R500 001 – R750 000 of taxable turnover	R5 500 + 4% of the amount above R500 000
• R750 001 and above of taxable turnover	R15 500 + 6% of the amount above R750 000

Micro businesses will be given the option of making payments for turnover tax, VAT and employees' tax at twice yearly intervals from 1 March 2012. A single combined return will be filed on a twice-yearly basis from 1 March 2013.

Secondary Tax on Companies (STC) and Dividends Tax

STC is imposed at a rate of 10% of the net amount of dividends declared by resident companies. STC will be replaced by a Dividends Tax, effective 1 April 2012. This will be a tax on individuals and non-residents and will be levied at a rate of 15%. All companies will be deemed to have declared a dividend of Rnil on 31 March 2012. Companies with STC credits as at 1 April 2012 will only be able to utilise the credits for a period of 3 years from the effective date of the dividends tax to reduce the dividend withholding tax on dividends payable to individuals and non-residents and will be able to pass on credits by way of notification to shareholders who are resident companies.

Withholding taxes

Streamlining withholding tax on foreign payment

Royalty withholding tax has been increased from 12% to 15%. This is a means for government to streamline the South African withholding tax rates by imposing a dividend withholding tax rate of 15% effective on 1 April 2012 and an interest withholding tax rate of 15% effective on 1 January 2013. The above rates may be reduced by the provisions of a double taxation treaty.

Skills Development Levy (SDL)

Employers with a payroll of more than R500 000 per annum must account for SDL, at a rate of 1% of total remuneration paid to employees.

Job creation initiatives

Learnerships

During 2011 the learnership tax incentive were extended for a further five years to October 2016.

Special Development Zones

In addition, the Government proposes the establishment of Special economic zones. It is proposed that specific legislation be introduced relating to businesses operating in special economic zones. These entities will possibly receive a reduction in the corporate income tax rate, an income tax exemption and an additional deduction for the employment of workers earning below a predetermined threshold.

Urban Development Zones

The urban development zones tax incentive expires in 2014, but is proposed to be extended. The incentive is subject to review of its effectiveness.

Limiting excessive debt in businesses

Various proposals have been made in order to address concerns regarding the deduction of interest on excessive debt. These include:

- A revised set of reclassification rules deeming certain debt to be equivalent to shares; as well as
- an "across-the-board" percentage ceiling relative to earnings before interest and depreciation, which will be considered in 2013.

Debt used to fund share acquisitions

Where debt is used to directly acquire a controlling share interest of at least 70%, it is proposed that the interest deduction is allowed. However, this interest will be subject to the same approvals controls applied to section 45 acquisitions.

Property loan stock companies and property unit trusts

It is proposed that rental income received from property loan stock entities should fall under the pass through regime that applies to property unit trusts.

Incentives for the construction of affordable housing

A tax incentive for developers and employers to build new housing stock consisting of at least 5 units for sale below R300 000 per dwelling is under consideration. The tax incentives considered are a tax credit or a deduction at either a fixed rand amount per unit or as a percentage of the value of the dwelling.

The hurdles associated with low-income employees receiving financial assistance, from their employers, to acquire a house are also under consideration.

Thin Capitalisation

From 1 April 2012 the 3:1 debt to equity ratio is to be replaced by an arm's length test. This is in line with the Organisation of Economic Cooperation and Development ("OECD") methodologies. Therefore an analysis has to be performed to determine whether the debt to equity ratio is at arm's length. SARS is due to release a practice note in March 2012, which will provide a guideline as to the treatment of the thin capitalisation provisions going forward.

CAPITAL GAINS TAX

Effective CGT rates

Type of taxpayer	Inclusion rate %	Statutory rate %	Effective rate %
Individuals and special trusts	33.3	0 – 40	0 – 13.3
Companies	66.6	28	18.6
Small business corporations	66.6	0 – 28	0 -18.6
Personal service provider companies & Permanent establishments (branches)	66.6	28	18.6
Non-residents (immovable property situated in or interest in property-rich entity with immovable assets situated in South Africa)	66.6	28	18.6
Other Trusts	66.6	40	26.7

Exclusions, from 1 March 2012:

- Annual individual and special trust exemption increases from R20 000 to R30 000.
- On death, the exclusion granted to individuals during the year of death increases from R200 000 to R300 000.
- The exclusion on a primary residence increases from R1.5 million to R2 million.
- On disposal of a small business for persons over 55, the exclusion increases from R900 000 to R1.8 million.
- On disposal of a small business for persons over 55, the maximum market value of assets allowed increases from R5 million to R10 million.

VALUE-ADDED TAX

Standard rate on or after 7 April 1993: 14%

VAT registration threshold remains at R1 000 000

VAT voluntary registration threshold remains at R50 000.

ESTATE DUTY, DONATIONS TAX AND SECURITIES TRANSFER TAX

Estate Duty

A flat rate of 20% remains 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 (PBO) and property accruing to surviving spouses.

Donations Tax

A flat rate of 20% remains. The first R100 000 of property donated in each year, by a natural person, is exempt from donations tax. For taxpayers who are not natural persons, exempt donations are limited to casual gifts not exceeding a total of R10 000 per annum. Donations between spouses and donations to PBOs are exempt from donations tax.

Securities Transfer Tax (STT)

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities. It is proposed that the current broker exemption be abolished and a lower rate be applied to broker transactions where beneficial ownership rest with the broker or where the shares purchased are part of a derivative hedging transaction.

TRANSFER DUTY

Transfer Duty is payable at the following rates, by both natural and legal persons, on transactions which are not subject to VAT, for purchase agreements concluded on or after 23 February 2011:

Property value	Rates of tax
R0 – R600 000	0%
R600 001 – R1 000 000	3% on the value above R600 000
R1 000 001 – R1 500 000	R12 000 plus 5% on the value above R1 000 000
R1 500 001 and above	R37 000 plus 8% on the value above R1 500 000

CUSTOMS AND EXCISE

Specific customs and excise duties

With effect from 22 February 2012 specific customs and excise duties are increased. Most alcoholic beverages increased between 6% and 20% (excluding traditional African beer and beer powder which remain unchanged). Tobacco products and cigars increased between 4.94% and 8.05%.

Ad valorem customs and excise duties

From 1 October 2012, the following items will be subject to ad valorem excise duties at the rates below:

- Aeroplanes and helicopters with a mass exceeding 450kg but not 5 000kg at 7%
- Motorboats and sailboats longer than 10m at 10%.

General Fuel Levy and Road Accident Fund Levy

The General Fuel Levy for 2012/2013 is increased by 20c/li to 197.5c/li and 182.5c/li for petrol and diesel, respectively. The Road Accident Fund Levy will increase by 8c/li to 88c/li. Both increases will take effect on 4 April 2012.

ENVIRONMENTAL TAX

Carbon emissions tax

It is proposed that a Carbon Emissions Tax of R120 per ton of carbon dioxide emitted over set thresholds will be implemented during 2013/2014 with annual increases of 10% until 2019/2020.

Emissions Tax – New Passenger Vehicles

The tax on new passenger vehicles remains unchanged at R75 per g/km for each g/km above 120 g/km. This emissions tax will be in addition to the current ad valorem luxury tax on new vehicles, which increases from 20% to 25%.

Electricity Levy

The environmental levy on electricity generated from non-renewable and nuclear energy sources will increase by 1c/kWh to 3.5c/kWh from 1 July 2012.

International Air Passenger departure Tax

Air passenger taxes remain R100 per passenger for flights to Southern African Customs Union member states, and R190 per passenger for other international destinations.

OTHER TAXES AND LEVIES

National Gambling Tax

With effect from 1 April 2013 a 1% national levy on gross gambling revenue will be introduced.

RATES OF INTEREST

Description	Rate
Official rate applicable to fringe benefits – interest free or low interest loan	6.5% p.a.
Late or underpayments of tax	8.5% p.a.
Refund of overpayments of provisional tax	4.5% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	8.5% p.a.
Refund of VAT after prescribed period	8.5% p.a.
Customs and Excise	8.5% p.a.

NATIONAL HEALTH INSURANCE (NHI)

The first phase of the NHI will be implemented in 2012/2013. Options to fund the NHI will be set out in a discussion document to be published by the end of April 2012.

TAX CALENDAR

Provisional tax – individual / company

1st Payment	within 6 months after commencement of tax year
2nd Payment	on tax year end
3rd Payment	Voluntary payment made within 7 months after tax year end (if tax year end is 28/29 February), or voluntary payment made within 6 months after year end (if tax year end falls on any other date).

Individuals who on the last day of the year of assessment will be over 65 years are exempt from provisional tax if they are not directors or private companies and only receive employment income, interest, rental or dividends amounting to taxable income of up to R 120 000.

Provisional tax – penalties on underestimation

An underestimation penalty will be levied on second provisional tax estimations as follows:

- **Where the final actual taxable income is more than R 1 million:**
  A 20% penalty may be levied if the combined first and second provisional tax payments are less than 80% of the tax on the actual taxable income for the year of assessment.
- **In any other case:**
  A 20% penalty will be levied if the combined first and second provisional tax payments are less than 90% of the tax on the actual taxable income for the year of assessment and are also less than the basic amount.

The penalties may be waived at the discretion of SARS.

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