This tax guide provides a synopsis of the most important tax, duty and levy information for 2018/19.

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates for the period 1 March 2018 to 28 February 2019

Individuals and special trusts

Taxable Income ($) Rate of Tax (%)
D – 0.00 0% of taxable income
195 851 – 305 850 35.25 + 26% of taxable income above 195 850
305 851 – 423 300 65.65 + 33% of taxable income above 305 850
423 301 – 555 600 140.25 + 38% of taxable income above 423 300
555 601 – 708 310 187.81 + 39% of taxable income above 555 600
708 311 – 1 500 000 207.44 + 41% of taxable income above 708 310
1 500 000+ and above 227.44 + 41% of taxable income above 1 500 000

Trusts other than special trusts: rate of tax 45%

Rebates

Primary (Persons 65 and older) R14 067
Secondary (Persons 75 and older) R2 574

Age

Below age 65 Tax Threshold R78 150
Age 65 to below 75 R121 000
Age 75 and over R135 300

Provisional Tax

A provisional taxpayer is any person who earns income by way of remuneration from an unregistered employer, or income that is not remuneration or an allowance or advance payable by the person’s principal. An individual is not required to pay provisional tax if the individual does not carry on any business and the individual’s taxable income –

• will not exceed the tax threshold for the tax year; or

• from interest, dividends, foreign dividends, rental from the letting of fixed property and remuneration from an unregistered employer will be R30 000 or less for the tax year.

Provisional tax returns showing an estimation of total taxable income for the year of assessment are required from provisional taxpayers.

Deceased estates are not provisional taxpayers.

Retirement fund lump sum withdrawal benefits

Taxable Income ($) Rate of Tax (%)
D – 25 000 0% of taxable income
25 001 – 600 000 18% of taxable income above 25 000
600 001 – 990 000 114 300 + 27% of taxable income above 600 000
990 001 and above 203 400 + 30% of taxable income above 990 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order).

Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to –

• the tax determined by the application of the tax table to the aggregate of lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011; less

• the tax determined by the application of the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit Y from March 2011.

Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax at a rate of 20% is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from REITS (listed and regulated property owning companies) are subject to income tax and non-residents in receipt of those dividends are only subject to dividends tax.

Foreign Dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Interest exemptions

• Interest earned from a South African source by any individual under 65 years, up to R23 800 per annum, and individuals 65 and older, up to R34 500 per annum, is exempt from income tax.

• Interest earned by non-residents who are physically absent from South Africa for at least 181 days during the 12-month period before the interest accrues and the debt from which the interest arises is not effectively connected to a fixed place of business in South Africa, is exempt.

Deductions

Retirement fund contributions

Amounts contributed to pension, provident and retirement annuity funds during a year of assessment are deductible by members of those funds. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employees. The deduction is limited to 27.5% of the greater of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sum and severance benefits). The deduction is further limited to the lower of R350 000 or 27.5% of taxable income before the inclusion of a taxable capital gain. Any contributions exceeding the limitations are carried forward to the immediately following year of assessment and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sums and against retirement annuities.

Medical and disability expenses

In determining taxable pay, individuals are allowed to deduct –

• monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R310 each for the individual who paid the contributions and the first dependant on the medical scheme and R209 for each additional dependant; and

• in the case of –

  • an individual who is 65 and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year; or

  • any other individual, 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

Alliances

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business and the accommodation to which that allowance or advance relates is outside the Republic of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal Counsel / Secondary Legislation / Income Tax Notices / 2018.

Travelling allowances

Rates per kilometre, which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determined by using the following table:

<table>
<thead>
<tr>
<th>Value of the vehicle (excluding VMT) ($)</th>
<th>Fixed cost (R)</th>
<th>Fuel cost (R)</th>
<th>Maintenance cost (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D – 0 000</td>
<td>26 352</td>
<td>87.7</td>
<td>34.4</td>
</tr>
<tr>
<td>85 001 – 170 000</td>
<td>50 631</td>
<td>108.6</td>
<td>43.1</td>
</tr>
<tr>
<td>170 001 – 250 000</td>
<td>122 963</td>
<td>160.2</td>
<td>61.5</td>
</tr>
<tr>
<td>255 001 – 340 000</td>
<td>194 128</td>
<td>124.6</td>
<td>51.9</td>
</tr>
<tr>
<td>340 001 – 425 000</td>
<td>112 463</td>
<td>133.5</td>
<td>60.9</td>
</tr>
<tr>
<td>425 001 – 510 000</td>
<td>143 147</td>
<td>153.2</td>
<td>71.6</td>
</tr>
<tr>
<td>510 001 – 1 000 000</td>
<td>195 300</td>
<td>158.4</td>
<td>86.9</td>
</tr>
<tr>
<td>exceeding 555 000</td>
<td>135 830</td>
<td>158.4</td>
<td>86.9</td>
</tr>
</tbody>
</table>

Note:

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 covered by 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.

Alternative simplified method:

Where an allowance or advance is based on the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee up to the rate of 361 cents per kilometre, regardless of the value of the vehicle. However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.
Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. The following are some of the specific exceptions:

- R2 million gain or loss on the disposal of a primary residence
- most personal use assets
- retirement benefits
- payments in respect of original long-term insurance policies
- annual exclusion of R40 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) if R1.8 million when a small business with a market value not exceeding R10 million is disposed of
- instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

DIVIDENDS TAX

Dividends Tax is a final tax at a rate of 20% on dividends 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. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

OTHER WITHHOLDING TAXES

In certain cases the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

Royalties

A final tax at a rate of 15% is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognised exchange.

Foreign entertainers and sports persons

A final tax at the rate of 15% is imposed on gross amounts payable to non-residents for activities exercised by them in South Africa as entertainers or sports persons.

Disposal of immovable property

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to non-residents is at a rate of 7.5% for a non-resident individual, 10% for a non-resident company and 15% for a non-resident trust that is selling the immovable property.

OTHER TAXES DUTIES AND LEVIES

Value Added Tax (VAT)

VAT is levied at the standard rate of 15% on the supply of goods and services by registered vendors. The tax rate was 14% until 31 March 2018. A vendor making taxable supplies of more than R1 million per annum must register for VAT. 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:

<table>
<thead>
<tr>
<th>Value of property (R)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 500 000</td>
<td>0%</td>
</tr>
<tr>
<td>500 001 – 1 750 000</td>
<td>0.5%</td>
</tr>
<tr>
<td>1 750 001 – 7 500 000</td>
<td>1%</td>
</tr>
<tr>
<td>7 501 000 – 30 000 000</td>
<td>1.5%</td>
</tr>
<tr>
<td>30 001 000 and above</td>
<td>2%</td>
</tr>
</tbody>
</table>

Estate Duty

Estate duty is levied on properties of residents and South African property of non-residents less allowable deductions. The duty is levied on the dutiable value of an estate at a rate of 20% on the first R30 million and at a rate of 25% above R30 million.