DEDUCTIONS FROM INCOME - INDIVIDUALS

Pension fund contributions

The deductible amount for current contributions is limited to the greater of (1) 7.5% of retirement funding income or (2) R1 750.

The limit for arrear contributions is R1 800 per annum with no carry forward allowed for any excess.

Retirement annuity fund contributions

The deductible amount for current contributions is limited to the greater of (1) 15% of non-retirement funding income (including investment income) after taking account of all attributable deductions apart from tax deductible donations, tax deductible medical expenses and certain farming losses and expenses, or (2) R3 500 less the deductible current pension fund contributions or (3) R1 750.

The limit for arrear contributions is R1 800 per annum with a carry forward allowed for any excess.

Medical expenses

If the taxpayer is under the age of 65 a hybrid system consisting of tax credits and tax deductions applies as follows:

A rebate (tax credit) for medical aid contributions paid by the taxpayer will be allowed as a credit against tax payable. The amount of the rebate is limited to:

- R230 where the contributions are in respect of the taxpayer only;
- R460 in respect of the taxpayer and one dependent;
- R460 plus R154 each, in the case of additional dependents.

A deduction from taxable income will be allowed for:

- so much of the value of medical aid contributions paid by the taxpayer as exceeds four times the contribution limits above and the sum of other qualifying medical expenses to the extent such amounts exceed 7.5% of taxable income excluding retirement fund lump sum benefits.

If the taxpayer, his or her spouse or child is disabled, the rebate for medical aid contributions is as described above, however the deduction for contributions to a medical aid in excess of four times the contribution limits above and other qualifying medical expenses is unlimited.

If the taxpayer is 65 years or older there is no limit on the amount of contributions to medical schemes and qualifying medical expenditure which may be claimed as a deduction.

Donations to certain Public Benefit Organisations

The deduction is limited to 10% of taxable income calculated before deducting medical expenses. The deduction claimed must be supported by a Section 18A certificate issued by the PBO. A deduction for PAYE purposes may be allowed ('Payroll Giving').

TRANSFER DUTY

Transfer duty is calculated on the value of fixed property acquired to the extent to which the acquisition is not subject to VAT. In respect of properties acquired under an agreement concluded on or after 23 February 2011, the rates are as follows, irrespective of juristic nature of the acquiror of the property:

Property value	**Rate**
R0 – R600 000	0%
R600 001 – R1 000 000	3% of the value in excess of R600 000
R1 000 001 – R1 500 000	R12 000 plus 5% of the value in excess of R1 000 000
R1 500 001 and above	R37 000 plus 8% of the value in excess of R1 500 000

SKILLS DEVELOPMENT LEVY (SDL)

Employers with a payroll of R500 000 or more per annum must account for SDL. SDL is calculated at 1% of the leviable amount of the monthly payroll including directors' fees.

VALUE ADDED TAX (VAT)

VAT is levied on taxable supplies by registered VAT vendors at the standard rate of 14%. A number of supplies are zero rated, for example goods exported from the Republic, and other suppliers are classified as exempt, for example financial services and residential accommodation.

WITHHOLDING TAXES

A withholding tax is levied in the Republic on the following amounts (subject to double tax treaty relief):

Royalties and similar payments to non-residents

A final withholding tax at the rate of 12% of the gross royalties payable in respect of royalties paid to non-residents for the use of patents, designs etc. in the Republic. It has been proposed that this rate will be increased to 15% although the date of the proposed increase is not known at this stage.

Disposal of immovable property

A withholding tax in advance of a non-resident's capital gains tax liability must be withheld by the purchaser in respect of the disposal by a non-resident of immovable property with a value in excess of R2m. The rates are: 5% of the purchase price if the seller is a natural person, 7.5% if the seller is a company and 10% if the seller is a trust. A lower withholding rate than those set out above may be granted on application.

Foreign entertainers and sportspersons

A final withholding tax of 15% of the gross revenue is payable.

Dividends Tax

In respect of dividends declared and paid on or after 1 April 2012, the Secondary Tax on Companies (STC), which was a tax at the rate of 10% on a company that declared a dividend, is replaced with a dividends withholding tax. This is a tax on the beneficial owner of a dividend at the standard rate of 15%, subject to numerous exemptions and a reduction in rate in terms of certain double taxation treaties.

Withholding Tax on Interest (proposed)

A withholding tax on interest paid to non-residents will come into effect in respect of interest accrued on or after 1 January 2013. The tax will be at the standard rate of 15%, subject to double tax treaty relief. There are numerous exemptions, including bank, government debt and listed debt interest and interest subject to income tax in the hands of the non-resident.

SECURITIES TRANSFER TAX (STT)

STT is levied at a rate of 0.25% on the fair value of transfer or redemptions of listed or unlisted securities, including members interests in close corporations.

INTEREST RATES PAYABLE / RECEIVABLE

Effective date of change	Amounts owing to SARS (1)	Amounts owing by SARS (2)
1 May 2009	13.5%	9.5%
1 July 2009	12.5%	8.5%
1 August 2009	11.5%	7.5%
1 September 2009	10.5%	6.5%
1 July 2010	9.5%	5.5%
1 March 2011	8.5%	4.5%

Notes:
(1) This rate also applies to refunds of tax by SARS where an appeal is upheld in court or conceded by SARS and certain delayed refunds by SARS.
(2) Interest rates payable on credit amounts (overpayment of provisional tax) under s 89quat(4).

OFFICIAL RATE OF INTEREST (FRINGE BENEFITS)

With effect from 1 March 2011 the official rate of interest is:

- Loan in Rands: 100 basis points above the repurchase (repo) rate
- Loan in foreign currency: 100 basis points above the equivalent of the repo rate for that currency.

Where the repo rate changes the official rate changes from the commencement of the following calendar month.

Effective date of change	Official rate
1 March 2011	6.5%

RATES OF TAX

Individual, special trusts(N1), insolvent and deceased estates

Year of assessment ending 28 February 2013

Taxable income (R)	Rate of tax (R)
0 – 160 000	18% of each R1
160 001 - 250 000	28 800 + 25% of the amount over 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

(N1) A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of children under the age of 21 years.

Separate tables apply to lump sums from approved pension, provident and retirement annuity funds, including approved preservation funds.

Retirement fund lump sum withdrawal benefits

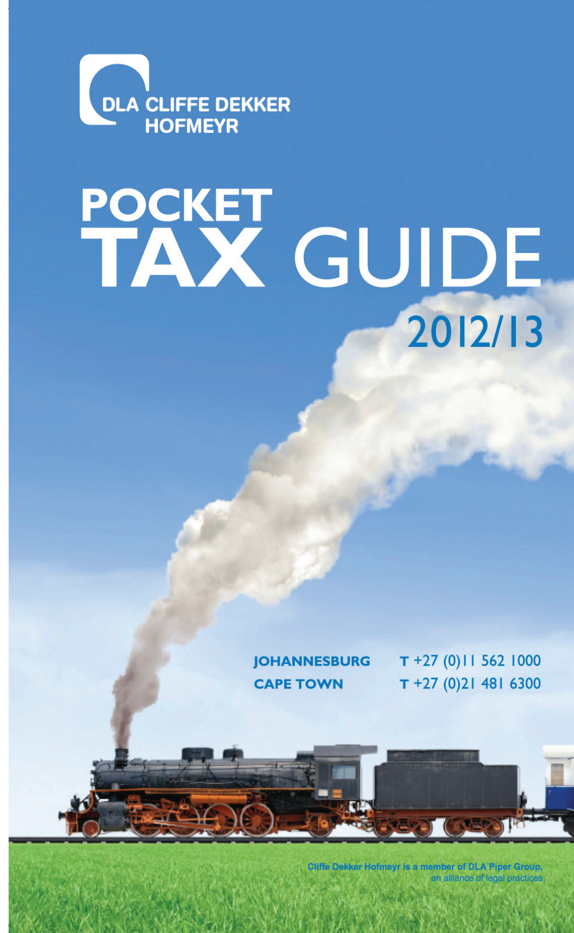
Year of assessment ending 28 February 2013

Taxable income (R)	Rate of tax (R)
0 – 22 500	0% of each R1
22 501 - 600 000	18% of the amount over 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

Retirement fund lump sum benefits or severance benefits

Year of assessment ending 28 February 2013

Taxable income (R)	Rate of tax (R)
0 – 315 000	0% of each R1
315 001 - 630 000	18% of the amount over 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



Individual, special trusts [N1], insolvent and deceased estates

Year of assessment ending 29 February 2012

Taxable income (R)	Rate of tax (R)
0 – 150 000	18% of each R1
150 001 - 235 000	27 000 + 25% of the amount above 150 000
235 001 - 325 000	48 250 + 30% of the amount above 235 000
325 001 - 455 000	75 250 + 35% of the amount above 325 000
455 001 - 580 000	120 750 + 38% of the amount above 455 000
580 001 and above	168 250 + 40% of the amount above 580 000

(N1) A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of children under the age of 21 years.

Trusts	2013	2012
Trusts (other than special trusts) for years of assessment ending on 28/29 February	40%	40%

COMPANIES AND CLOSE CORPORATIONS (OTHER THAN CERTAIN GOLD MINING COMPANIES AND LONG-TERM INSURERS)

Year of assessment ended during the period of 12 months ending 31 March

Normal tax on taxable income	2013	2012
Companies (other than entities below)	28%	28%
Turnover-based presumptive tax system (elective) for micro businesses (turnover not exceeding R1 000 000)	0%-6% of turn-over	0%-6% of turn-over
Non-resident companies with a branch in the Republic on SA source income Personal service providers	28% 28%	33% 33%
Small business corporations 2013 [N1] taxable income: 0 - R63 556 R63 557 - R350 000 R350 001 and above	0% 7% of the amount above R63 556 R20 051 + 28% of the amount above R350 000	
Small business corporations 2012 [N1] taxable income: 0 - R59 750 R59 751 - R300 000 R300 001 and above	0% 10% of the amount above R59 750 R24 025 + 28% of the amount above R300 000	
Public benefit organisations and recreational clubs (trading income only)	28%	28%
STC payable on 'net amount' of dividend declared [N2]	-	10%

(N1) Primary requirements to qualify as a small business corporation: all the shares are held by individuals, none of whom hold shares in any other company (other than listed shares, unit trusts and shares in certain tax exempt entities); the gross income of the corporation may not exceed R14 million for the year of assessment; not more than 20% of the gross income of the company may comprise investment income and income from rendering a personal service and is not an 'employment company' or 'personal service provider'.

(N2) In respect of dividends declared and paid on or after 1 April 2012, the STC is replaced with a dividends withholding tax, which is a tax on the beneficial owner of the dividend at the standard rate of 15% subject to numerous exemptions and a reduction in rate in terms of certain double taxation agreements.

USEFUL INFORMATION AT A GLANCE

Rebates and Thresholds	2013	2012
Primary rebate for individuals	R11 440	R10 755
Secondary rebate (65 years of age or older) (in addition to primary rebate)	R6 390	R6 012
Tertiary rebate (75 year of age or older) (in addition to primary and secondary rebate)	R2 130	R2 000
Tax threshold for individuals under 65 years of age	R63 556	R59 750
Tax threshold for individuals 65 years of age to below 75 years of age	R99 056	R93 150
Tax threshold for individuals 75 years of age or older	R110 889	R104 261

Interest and Foreign Dividend Exemption		
Local interest exemption for individuals under 65 years of age [N1]	R22 800	R22 800
Local interest exemption for individuals 65 years of age or older [N1]	R33 000	R33 000
Foreign interest and foreign dividend exemption (applies first to foreign dividends) [N2]	-	R3 700

(N1) Reduced by foreign interest and foreign dividend exemption utilised (applicable in respect of 2012 year of assessment only).
(N2) This exemption is deleted with effect from the 2013 year of assessment.

Donations Tax and Estate Duty		
Donations tax rate	20%	20%
Donations tax – annual exemption (individuals only)	R100 000	R100 000
Estate duty rate	20%	20%
Estate duty abatement [N1]	R3.5 m	R3.5 m

(N1) Where the deceased was the spouse at the time of death of a previously deceased person, the estate duty abatement is R7m less the abatement utilised in the estate of the previously deceased person.

Capital Gains Tax	2013	2012
Annual capital gain/loss exclusion	R30 000	R20 000
Primary residence exclusion [N1]	R2 m	R1.5 m
Exclusion on death	R300 000	R200 000
Once-off relief for disposal of qualifying small business assets [N2]	R1.8 m	R900 000
Effective CGT rate – individuals and special trusts	0 - 13.3%	0 - 10%
Effective CGT rate – companies	18.6%	14%
Effective CGT rate – trusts	26.7%	20%

(N1) The primary residence exclusion reduces losses as well as gains on the disposal of a primary residence.
(N2) Applies if seller is 55 years of age or older.

TRAVEL ALLOWANCE

	2013	2012
Travel allowance subject to PAYE	80%	80% [N1]
Travel allowance - maximum vehicle value [N2]	R480 000	R480 000

(N1) Where the employee is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the travel allowance.
(N2) In terms of both the deemed and actual cost reduction methods, the value of the vehicle is capped at this amount. In respect of the actual cost reduction method, the capping applies in respect of wear and tear or lease payments and finance charges.

Travel allowance - deemed expenditure scale as an alternative to actual data applicable for the year ending 28 February 2013

Value of the vehicle (including VAT)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
R0 - R60 000	19 492	73.7	25.7
R60 001 - R120 000	38 726	77.6	29.0
R120 001 - R180 000	52 594	81.5	32.3
R180 001 - R240 000	66 440	89.6	36.9
R240 001 - R300 000	79 185	102.7	45.2
R300 001 - R360 000	91 873	117.1	53.7
R360 001 - R420 000	105 809	119.3	65.2
R420 001 - R480 000	119 683	133.6	68.3
Exceeding R480 000	119 683	133.6	68.3

Reimbursement based travel allowance

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,16 per kilometre, no tax will be payable provided:

- the travel allowance is based on actual business kilometres travelled; and
- the distance travelled in the vehicle for business purposes during the year of assessment does not exceed 8 000 kilometres; or
- where more than one vehicle has been used, the total distance travelled in those vehicles for business purposes does not exceed 8 000 kilometres; and
- no other compensation in the form of a further travel allowance or reimbursement is paid by the employer to the employee.

COMPANY CAR

Company car	2013	2012
Taxable value per month • First company car: – If no maintenance plan – If subject to maintenance plan	 3.5% 3.25%	 3.5% 3.25%
• Second and subsequent company cars (not used primarily for business): – If no maintenance plan – If subject to maintenance plan	 3.5% 3.25%	 3.5% 3.25%

Notes:
1. The above monthly rates apply to the determined value of the vehicle. From 1 March 2011 VAT is included in calculating the determined value.
2. From 1 March 2011, reductions to the fringe benefit value for private travel and / or costs borne by the employee for insurance, maintenance or fuel for private travel are only made on assessment. In order to claim a reduction, a logbook needs to be maintained.
3. 80% of the fringe benefit value, not reduced for private use or costs above, is subject to PAYE. Where the employer is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the fringe benefit value. It is proposed that where possible and practical, the employer will be allowed to use actual costs to determine the value of the fringe benefit for the employee.

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EVERYTHING MATTERS

Cliffe Dekker Hofmeyr has some 120 directors and 250 lawyers located in Johannesburg and Cape Town. We have an exclusive alliance with DLA Piper, a global law firm with more than 4,200 lawyers operating from offices across the Americas, Asia Pacific, Europe and the Middle East, and an unrivalled network of law firms across Africa.

The information contained in this guide is for general guidance only and is not a substitute for professional advice when considering the tax effects of specific transactions. Cliffe Dekker Hofmeyr accepts no responsibility for any actions taken or not taken on the basis of the information in this guide. This guide is based on the Budget proposals tabled in Parliament by the Minister of Finance on 22 February 2012.

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For advice please contact any member of our Tax team listed below.

Emil Brincker T +27 (0)11 562 1063
Alastair Morphet T +27 (0)11 562 1391
Natalie Napier T +27 (0)11 562 1109
Ben Strauss T +27 (0)21 405 6063
Johan van der Walt T +27 (0)11 562 1177
Ruaan van Eeden T +27 (0)11 562 1086

www.cliffedekkerhofmeyr.com