

# POCKET **TAX GUIDE**

2015/2016



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## RATES OF TAX

### Individual, special trusts<sup>(N1)</sup>, insolvent and deceased estates

Year of assessment ending 29 February 2016

Taxable income (R)	Rate of tax (R)
0 – 181 900	18% of each R1
181 901 - 284 100	32 742 + 26% of the amount above 181 900
284 101 - 393 200	59 314 + 31% of the amount above 284 100
393 201 - 550 100	93 135 + 36% of the amount above 393 200
550 101 - 701 300	149 619 + 39% of the amount above 550 100
701 301 and above	208 587 + 41% of the amount above 701 300

Year of assessment ending 28 February 2015

Taxable income (R)	Rate of tax (R)
0 – 174 550	18% of each R1
174 551 - 272 700	31 419 + 25% of the amount over 174 550
272 701 - 377 450	55 957 + 30% of the amount above 272 700
377 451 - 528 800	87 382 + 35% of the amount above 377 450
528 001- 673 100	140 074 + 38% of the amount above 528 00
673 001 and above	195 212+ 40% of the amount above 673 100

## RATES OF TAX

### Retirement fund lump sum withdrawal benefits

Year of assessment ending 29 February 2016

Taxable income (R)	Rate of tax (R)
0 – 25 000	0% of each R1
25 001 - 660 000	18% of the amount over 25 000
660 001 - 990 000	114 300 + 27% of the amount above 660 000
990 001 and above	203 400 + 36% of the amount above 990 000

### Retirement fund lump sum benefits or severance benefits

Year of assessment ending 29 February 2016

Taxable income (R)	Rate of tax (R)
0 – 500 000	0% of each R1
500 001 - 700 000	18% of the amount over 500 000
700 001 - 1 050 000	36 000 + 27% of the amount above 700 000
1 050 001 and above	130 500 + 36% of the amount above 1 050 000

<b>Trusts</b>	<b>2016</b>	<b>2015</b>
Trusts (other than special trusts) for years of assessment ending on 29 February	41%	40%
Effective Capital Gains Tax Rate	27.31%	26.6%

## USEFUL INFORMATION AT A GLANCE

Rebates and thresholds	2016	2015
Primary rebate for individuals	R13 257	R12 726
Secondary rebate (65 years of age or older) (in addition to primary rebate)	R7 407	R7 110
Tertiary rebate (75 year of age or older) (in addition to primary and secondary rebate)	R2 466	R2 367
Tax threshold for individuals under 65 years of age	R73 650	R70 700
Tax threshold for individuals 65 years of age to below 75 years of age	R114 800	R110 200
Tax threshold for individuals 75 years of age or older	R128 500	R123 350

### Interest exemption

Interest exemption for individuals under 65 years of age <sup>(N1)</sup>	R23 800	R23 800
Interest exemption for individuals 65 years of age or older <sup>(N1)</sup>	R34 500	R34 500

(N1) The interest exemption is only applicable against South African sourced interest.

### 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 <sup>(N1)</sup>	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 Individuals	2016	2015
Annual capital gain/loss exclusion	R30 000	R30 000
Primary residence exclusion <sup>(N1)</sup>	R2 m	R2 m
Exclusion on death	R300 000	R300 000
Once-off relief for disposal of qualifying small business assets <sup>(N2)</sup>	R1.8 m	R1.8 m
Effective CGT rate – individuals and special trusts	0 - 13.65%	0 - 13.3%

(N1) The primary residence exclusion reduces losses as well as gains on the disposal of a primary residence.

(N2) Applies in respect of the disposal of 'active business assets' of a 'small business' if the seller is 55 years of age or older or if the disposal is in consequence of ill-health, other infirmity, superannuation or death. The relief may extend to cover the disposal of an entire direct equity interest of at least 10% in a company. To constitute a 'small business', the market value of all assets of the business must not exceed R10m at the date of the disposal.

## TRAVEL ALLOWANCE

	2016	2015
Travel allowance subject to PAYE	80% <sup>(N1)</sup>	80% <sup>(N1)</sup>
Travel allowance - maximum vehicle value <sup>(N2)</sup>	R560 000	R560 000

(N1) 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 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.

(N3) In order to claim any reduction against the travel allowance received, a log book needs to be maintained.

Travel allowance - deemed expenditure scale as an alternative to actual data applicable for the year ending 29 February 2016

Value of the vehicle (including VAT)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
R0 - R80 000	26 105	78.7	29.3
R80 001 - R160 000	46 505	87.9	36.7
R160 001 - R240 000	66 976	95.5	40.4
R240 001 - R320 000	84 945	102.7	44.1
R320 001 - R400 000	102 974	109.9	51.8
R400 001 - R480 000	121 886	126.1	60.8
R480 001 - R560 000	140 797	130.4	75.6
Exceeding R560 000	140 797	130.4	75.6

### Reimbursement based travel allowance

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,18 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	2016	2015
Taxable value per month		
• First company car:		
– If no maintenance plan	3.5%	3.5%
– If subject to maintenance plan	3.25%	3.25%
• Second and subsequent company cars (not used primarily for business):		
– If no maintenance plan	3.5%	3.5%
– If subject to maintenance plan	3.25%	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.
4. Where the employer holds the vehicle under an operating lease, the fringe benefit value is not calculated on the percentage method per the table above, but is the sum of the lease costs and the cost of fuel.

## 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.

The current official rate is set at 6.75% with effect from 1 August 2014.

## **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 a 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 but excluding income from retirement lump sums) 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**

### **2015 / 2016 year of assessment**

No taxpayers claim deductions in respect of medical aid contributions or qualifying medical expenses. A credit - only (tax rebate) system applies.

### **Where the taxpayer is under the age of 65 and is not disabled and has no disabled dependents:**

In respect of medical aid contributions, the amount of the credit is limited to:

- R270 where the contributions are in respect of the taxpayer only;
- R540 in respect of the taxpayer and one dependent;
- R540 plus R181 each, in the case of additional dependents.

An additional credit is allowed in the amount of 25% of:

[So much of the amount of medical aid contributions paid by the taxpayer as exceeds four times the contribution limits above and the sum of qualifying medical expenses] to the extent such amounts exceed 7.5% of taxable income (excluding retirement lump sum benefits and severance benefits).



## Where the taxpayer is under the age of 65 and is disabled or has a disabled dependent, or alternatively is 65 or older:

In respect of medical aid contributions, the amount of the credit is limited as per the category for taxpayers under the age of 65.

An additional credit is allowed in the amount of 33.3% of:

so much of the amount of medical aid contributions paid by the taxpayer as exceeds three times the contribution limits above and the sum of qualifying medical expenses.

## Donations to certain Public Benefit Organisations

The deduction is limited to 10% of taxable income calculated excluding retirement fund lump sums and severance benefits. 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. With effect from 1 March 2015 the rates are as follows:

Property value	Rate
R0 – R750 000	0%
R750 001 – R1 250 000	3% of the value in excess of R750 000
R1 250 001 – R1 750 000	R15 000 plus 6% of the value in excess of R1 250 000
R1 750 001 – R2 250 000	R45 000 plus 8% of the value in excess of R1 750 000
R2 250 001 and above	R85 000 plus 11% of the value in excess of R2 250 000

## 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	2016	2015
Companies (other than entities below)	28%	28%
Companies (other than entities below) Effective capital gains tax rate	18.6%	18.6%
Turnover based presumptive tax system (elective) for micro businesses (turnover not exceeding R1m)	0% - 3% of turnover	0% - 6% of turnover
Non-resident companies with a branch in the Republic on SA source income	28%	28%
Personal service providers	28%	28%
Small business corporations 2016 <sup>(N1)</sup> taxable income:		
0 - R73 650	0%	
R73 651 - R365 000	7% of the amount above R73 650	
R365 001 - R550 000	R20 395 + 21% of the amount above R365 000	
R550 001 and above	R59 245 + 28% above the amount above R550 000	
Small business corporations 2015 <sup>(N1)</sup> taxable income:		
0 - R70 700	0%	
R70 701 - R365 000	7% of the amount above R70 700	
R365 001 - R550 000	R20 601 + 21% of the amount above R365 000	
R550 001 and above	R59 451 + 28% of the amount above R550 000	
Public benefit organisations and recreational clubs (trading income only)	28%	28%

(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 R20m 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 the company is not an 'employment company' or a 'personal service provider'.

## **WITHHOLDING TAXES**

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

### **Dividends tax**

This is a tax on the beneficial owner of a dividend at the standard rate of 15%, subject to numerous exemptions, including dividends paid to South African resident companies and Public Benefit Organisations as beneficial owners and where the dividend is not exempt from income tax in the hands of the recipient.

In the case of dividends in kind (other than in cash) the tax is borne by the company that declares and pays the dividend.

### **Interest**

A final withholding tax on interest paid to non-residents will come into effect in respect of interest that is paid or that becomes due and payable on or after 1 March 2015. The tax will be at the standard rate of 15%. There are numerous exemptions, including interest arising from banks, government debt and listed debt.

### **Royalties and similar payments to non-residents**

A final withholding tax at the rate of 15% of the gross royalties payable in respect of royalties paid to non-residents for the use of patents, designs etc. in the Republic.

### **Cross-border service fees**

It has been proposed that a withholding tax on cross-border service fees from a South African source at the standard rate of 15% will become effective from 1 January 2016.

### **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.

## INTEREST RATES PAYABLE / RECEIVABLE

	Rates from 1 May 2014	Rates from 1 November 2014
Late or underpayment of tax	8.5% p.a.	9.25% p.a.
Refund of overpayment of provisional tax	4.5% p.a.	5.25% p.a.
Refund of tax on successful appeal or where the appeal was succeeded by SARS	8.5% p.a.	9.25% p.a.
Refund of VAT after prescribed period	8.5% p.a.	9.25% p.a.
Late payment of VAT	8.5% p.a.	9.25% p.a.
Customs and Excise	8.5% p.a.	9.25% p.a.

## 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 supplies are classified as exempt, for example financial services and residential accommodation.

## SECURITIES TRANSFER TAX (STT)

STT is levied at a rate of 0.25% on the higher of the consideration paid and the market value in respect of the transfer or redemption of listed or unlisted securities, including that of members' interests in close corporations.

## 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.

## UNEMPLOYMENT INSURANCE FUND (UIF)

Unemployment insurance contributions are payable monthly by employers on the basis of a contribution of 1% by the employer and 1% by the employees, based on employees' remuneration below a certain amount.

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