



**DLA CLIFFE DEKKER  
HOFMEYR**

**EVERYTHING MATTERS**

# **POCKET TAX GUIDE 2010/11**

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## RATES OF TAX

### Individual, special trusts, insolvent and deceased estates

Year of assessment ending 28 February 2011

Taxable income (R)	Rate of tax (R)
0 – 140 000	18% of each R1
140 001 - 221 000	25 200 + 25% of the amount above 140 000
221 001 - 305 000	45 450 + 30% of the amount above 221 000
305 001 - 431 000	70 650 + 35% of the amount above 305 000
431 001 - 552 000	114 750 + 38% of the amount above 431 000
552 001 and above	160 730 + 40% of the amount above 552 000

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

Note: A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of minor children.

## Individual, special trusts, insolvent and deceased estates

Year of assessment ending 28 February 2010

Taxable income (R)	Rate of tax (R)
0 - 132 000	18% of each R1
132 001 - 210 000	23 760 + 25% of the amount above 132 000
210 001 - 290 000	43 260 + 30% of the amount above 210 000
290 001 - 410 000	67 260 + 35% of the amount above 290 000
410 001 - 525 000	109 260 + 38% of the amount above 410 000
525 001 and above	152 960 + 40 % of the amount above 525 000

Note: A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of minor children.

Trusts	2011	2010
Trusts (other than special trusts) for years of assessment ending on 28 February	40%	40%

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

Year of assessment ending 31 March

Normal tax on taxable income	2011	2010
Companies (other than entities below)	28%	28%
Turnover-based presumptive tax system (elective) for micro businesses (turnover not exceeding R1 000 000) <sup>(N3)</sup>	0%-7% of turnover	0%-7% of turnover
Non-resident companies with a branch in the Republic or SA source income	33%	33%
Personal service providers	33%	33%
Small business corporations 2011 <sup>(N1)</sup>		
On taxable income not exceeding R57 000	0%	
On taxable income exceeding R57 000 but not exceeding R300 000	10%	
On taxable income exceeding R300 000	28%	
Small business corporations 2010 <sup>(N1)</sup>		
On taxable income not exceeding R54 200		0%
On taxable income exceeding R54 200 but not exceeding R300 000		10%
On taxable income exceeding R300 000		28%
Public benefit organisations and recreational clubs (trading income only)	28%	28%
STC payable on 'net amount' of dividend declared <sup>(N2)</sup>	10% <sup>(N3)</sup>	10% <sup>(N3)</sup>
Passive holding companies <sup>(N4)</sup>	40%	N/A

- (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) Will be replaced by dividend withholding tax (effective date to be determined).
- (N3) No STC on first R200 000 per annum dividend if presumptive tax election made.
- (N4) On certain companies earning mainly passive income (effective date to be determined).

## USEFUL INFORMATION AT A GLANCE

Rebates and Thresholds	2011	2010
Primary rebate for individuals	R10 260	R9 756
Secondary rebate (65 years of age or older) (in addition to primary rebates)	R5 675	R5 400
Tax threshold for individuals under 65 years of age	R57 000	R54 200
Tax threshold for individuals 65 years of age or older	R88 528	R84 200

### Interest and Foreign Dividend Exemption

Local interest exemption for individuals under 65 years of age <sup>(N1)</sup>	R22 300	R21 000
Local interest exemption for individuals 65 years of age or older <sup>(N1)</sup>	R32 000	R30 000
Foreign interest and foreign dividend exemption (applies first to foreign dividends) <sup>(N2)</sup>	R3 700	R3 500

(N1) Reduced by foreign interest and foreign dividend exemption utilised.

(N2) Local dividends are exempt from tax.

### 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) Estate duty abatement is increased by the unutilised portion of deceased spouse.

### Capital Gains Tax

Annual capital gain/loss exclusion	R17 500	R17 500
Primary residence exclusion <sup>(N1)</sup>	R1.5 m	R1.5 m
Exclusion on death	R120 000	R120 000
Once-off relief for disposal of qualifying small business assets	R750 000	R750 000
Effective CGT rate – individuals and special trusts	4.5 - 10%	4.5 - 10%
Effective CGT rate – companies	14%	14%
Effective CGT rate – trusts	20%	20%

(N1) Further exclusion where proceeds from primary residence is R 2 million or less.

## TRAVEL ALLOWANCE

Travel allowance subject to PAYE	80%	60%
Travel allowance - maximum vehicle value	R400 000	R400 000
Travel allowance – deemed maximum kilometres per annum (N1)		32 000km
Travel allowance – deemed private kilometres (N1)		18 000km

(N1) Threshold not applicable if supported by logbook. If using a log book, private kilometres include travel between home and place of employment. From 1 March 2010 a taxpayer is required to maintain an accurate logbook of business distance travelled in order to claim a deduction. The deemed kilometre method thus no longer applies from 1 March 2010.

### Travel allowance - deemed expenditure scale as an alternative to actual data

Value of the vehicle	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
R0 - R40 000	14 672	58.6	21.7
R40 001 - R80 000	29 106	58.6	21.7
R80 001 - R120 000	39 928	62.5	24.2
R120 001 - R160 000	50 749	68.6	28.0
R160 001 - R200 000	63 424	68.8	41.1
R200 001 - R240 000	76 041	81.5	46.4
R240 001 - R280 000	86 211	81.5	46.4
R280 001 - R320 000	96 260	85.7	49.4
R320 001 - R360 000	106 367	94.6	56.2
R360 001 - R400 000	116 012	110.3	75.2
Exceeding R400 000	116 012	110.3	75.2



## Reimbursement based travel allowance

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R2,92 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	2011	2010
Taxable value per month – first company car	2.5%	2.5%
Taxable value per month – second and subsequent company cars (not used primarily for business)	4%	4%

Notes:

1. The above monthly rates apply to the determined value of the vehicle (original cost excluding VAT and finance charges).
2. The monthly rate may be reduced by 0,22% per month if the employee bears all fuel costs in relation to his private use of the vehicle and by 0,18% per month if the employee bears the full maintenance expense of the vehicle. The reductions will not apply where the employee receives a travel allowance.

## 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.

### 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), or (2) R3 500 less the deductible current pension fund contributions or (3) R1 750.

### Medical expenses

Medical expenses that may be deducted by taxpayers under the age of 65 are as follows:

- (a) the contributions to a medical aid fund made by the taxpayer (R670 per month for each of the first two beneficiaries and R410 per month for each additional dependant) less the employer contributions not taxed as a fringe benefit; and
- (b) so much of any contributions to a medical aid that were not deductible in terms of (a) above (including employer contributions taxed as a fringe benefit) plus other qualifying medical expenses (for example scripted medicine or doctor's consultation fees) as exceeds 7.5% of the taxpayers taxable income.

If the taxpayer is 65 years or older, or the taxpayer, spouse or child is disabled, all qualifying expenses and expenses prescribed by the Commissioner in consequence of disability will be deductible.

### Donations to certain Public Benefit Organisations

The deduction is limited to 10% of taxable income calculated before deducting medical expenses (in the case of individuals). 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 at the rate of 8% of the value of the fixed property purchased by persons other than individuals. Transfer duty in respect of purchases by individuals is based on the following sliding scale:

Property value	Rate
R0 – R500 000	0%
R500 001 – R1 000 000	5% of the value in excess of R500 000
R1 000 001 and above	R25 000 plus 8% of the value in excess of R1 000 000.

## SKILLS DEVELOPMENT LEVY (SDL)

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

## 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) or classified as exempt supplies (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.

## Disposal Of Immovable Property

A withholding tax must be withheld by the purchaser in respect of the disposal by non-residents of immovable properties with a value in excess of R2 000 000. 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.

## Foreign entertainers and sportspersons

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

## SECURITIES TRANSFER TAX (STT)

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

## TAXES PROPOSED

A withholding tax on dividends will replace the current Secondary Tax on Companies and a mining royalties tax will be introduced.

## INTEREST RATES PAYABLE / RECEIVABLE

Effective date of change	Amounts owing to SARS (1)	Amounts owing to SARS (2)
1 September 2008	15%	11%
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%

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)

Effective date of change	Official rate
1 September 2008	13%
1 March 2009	11.5%
1 June 2009	9.5%
1 July 2009	8.5%
1 September 2009	8%

## PAYMENT DATES

### Provisional Tax

- first at half year
- second at year end
- third (voluntary top up) 6 months after year end unless year end is February in which case 7 months after year end

**PAYE** 7 days after month end

**VAT** 25th day after period end  
(last business day if electronically submitted and paid)

**SDL** 7 days after month end

**STC** end of the month following a dividend cycle

**UIF** 7 days after month end

**STT** Listed securities – 14th day of the month following transfer  
Unlisted securities - within 2 months from the end of the month of transfer

Where the payment date falls on a public holiday or a weekend then payment is due on the last business day preceeding that date.



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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 17 February 2010.

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