

TAX & EXCHANGE CONTROL

# CLARITY

FROM POWERFUL PARTNERSHIPS COME POWERFUL SOLUTIONS

## Budget Pocket Guide 2017/2018



CLIFFE DEKKER HOFMEYR

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## RATES OF TAXES

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

#### YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2017

Taxable income (R)	Rate of tax
0 – 188 000	18% of each Rand
188 001 – 293 600	33 840 + 26% of the amount > 188 000
293 601 – 406 400	61 296 + 31% of the amount > 293 600
406 401 – 550 100	96 264 + 36% of the amount > 406 400
550 101 – 701 300	147 996 + 39% of the amount > 550 100
701 301 and above	206 964 + 41% of the amount > 701 300

#### YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2018

Taxable income (R)	Rate of tax
0 – 189 880	18% of each Rand
189 881 – 296 540	34 178 + 26% of the amt > 189 880
296 541 – 410 460	61 910 + 31% of the amt > 296 540
410 461 – 555 600	97 225 + 36% of the amt > 410 460
555 601 – 708 310	149 475 + 39% of the amt > 555 600
708 311 – 1 500 000	209 032 + 41% of the amt > 708 310
1 500 001 and above	533 625 + 45% of the amt > 1 500 000

## RATES OF TAXES

### Retirement fund lump sum withdrawal benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2018

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

### Retirement fund lump sum benefits or severance benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2018

Taxable income (R)	Rate of tax
0 – 500 000	0% of each Rand
500 001 – 700 000	18% of the amt > 500 000
700 001 – 1 050 000	36 000 + 27% of the amt > 700 000
1 050 001 and above	130 500 + 36% of the amt > 1 050 000

### Trusts (other than special trusts)

YEARS OF ASSESSMENT ENDING ON 28 FEBRUARY

	2018	2017
Trusts	45.0%	41.0%
Effective Capital Gains Tax Rate	36.0%	32.8%

## USEFUL INFORMATION AT A GLANCE

<b>Rebates and thresholds</b>	<b>2018</b>	<b>2017</b>
Primary rebate for individuals	R13 635	R13 500
Secondary rebate (65 years of age or older) <i>in addition to primary rebate</i>	R7 479	R7 407
Tertiary rebate (75 year of age or older) <i>in addition to primary and secondary rebate</i>	R2 493	R2 466
Tax threshold for individuals under 65 years of age	R75 750	R75 000
Tax threshold for individuals 65 years of age to below 75 years of age	R117 300	R116 150
Tax threshold for individuals 75 years of age or older	R131 150	R129 850

<b>Interest exemption</b>	<b>2018</b>	<b>2017</b>
Interest exemption for individuals under 65 years of age	R23 800	R23 800
Interest exemption for individuals 65 years of age or older	R34 500	R34 500

<b>Donations tax and estate duty</b>	<b>2018</b>	<b>2017</b>
Donations tax rate	20%	20%
Donations tax – annual exemption <i>individuals only</i>	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.

<b>Capital Gains Tax Individuals</b>	<b>2018</b>	<b>2017</b>
Annual capital gain/loss exclusion	R40 000	R40 000
Primary residence exclusion	R2 m	R2 m
Exclusion on death	R300 000	R300 000
Once-off relief for disposal of qualifying small business assets	R1.8 m	R1.8 m
Effective CGT rate – individuals and special trusts	0 – 18.00%	0 – 16.40%

<b>Travel allowance</b>	<b>2018</b>	<b>2017</b>
Travel allowance subject to PAYE <sup>(N1)</sup>	80%	80%
Travel allowance – maximum vehicle value <sup>(N2)</sup>	R595 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.

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

YEAR ENDING 28 FEBRUARY 2018

Value of the vehicle (incl VAT) (R)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
0 – 85 000	28 492	91.2	32.9
85 001 – 170 000	50 924	101.8	41.2
170 001 – 255 000	73 427	110.6	45.4
255 001 – 340 000	93 267	118.9	49.6
340 001 – 425 000	113 179	127.2	58.2
425 001 – 510 000	134 035	146.0	68.4
510 001 – 595 000	154 879	150.9	84.9
> 595 000	154 879	150.9	84.9

### Reimbursement based travel allowance

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,55 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 12 000 kilometres; or
- where more than one vehicle has been used, the total distance travelled in those vehicles for business purposes does not exceed 12 000 kilometres; and
- no other compensation in the form of a further travel allowance or reimbursement is paid by the employer to the employee.

It is proposed that the portion of the reimbursed travel expenses relating to business travel as exceeds the rate or distance fixed by the Minister of Finance by notice in the Gazette in terms of the current law, should be regarded as remuneration for the purpose of determining employees' tax.

## COMPANY CAR

Taxable value per month	2018	2017
First company car:		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%
Second and subsequent company cars (not used primarily for business)		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%

### 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, as defined in the Income Tax Act, 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.

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## OFFICIAL RATE OF INTEREST

**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 8% with effect from 1 April 2016.

## DEDUCTIONS FROM INCOME – INDIVIDUALS

### Retirement funds

The deductible amount for current contributions to pension, provident and retirement annuity funds is limited to 27,5% of the greater of remuneration for PAYE purposes or taxable income, (both excluding fund lump sums and severance benefits). Furthermore, the deduction is limited to a maximum of R350 000 per tax year. Any contributions exceeding the limitations are carried forward to the next year and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off when determining taxable retirement fund lump sums or retirement annuities.

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## MEDICAL EXPENSES

### 2017 / 2018 year of assessment

Medical aid contributions or qualifying medical expenses is not claimable as a deduction. A credit-only (tax rebate) system applies.

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

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

- R303 where the contributions are in respect of the taxpayer only;
- R606 in respect of the taxpayer and one dependant;
- R204 in the case of each additional dependant.

In determining the tax payable, individuals under the age of 65 years are allowed to deduct 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).



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

An additional credit is allowed and is calculated as 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.

### Donations to certain Public Benefit Organisations (PBOs)

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

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 2017 the rates are as follows:

Property value (R)	Rate of tax
0 – 900 000	0%
900 001 – 1 250 000	3% of the value in excess of R900 000
1 250 001 – 1 750 000	R10 500 plus 6% of the value in excess of R1 250 000
1 750 001 – 2 250 000	R40 500 plus 8% of the value in excess of R1 750 000
2 250 001 – 10 000 000	R80 500 plus 11% of the value in excess of R2 250 000
10 000 001 and above	R933 000 plus 13% of the value in excess of R10 000 000

## COMPANIES AND CLOSE CORPORATIONS

Normal tax on taxable income	2018	2017
Companies (other than entities below)	28.0%	28.0%
Companies (other than entities below) Effective capital gains tax rate	22.4%	22.4%
Turnover based presumptive tax system (elective) for micro businesses (turnover not exceeding R1m)	0% – 3.0%	0% – 3.0%
Non-resident companies with a branch in the Republic on SA source income Personal service providers	28% 28%	28% 28%
Income Tax on Small Business Corporations for financial years ending 1 April 2017 to 28 February 2018 <sup>(N1)</sup> :		
0 – R75 750		0.0%
R75 751 – R365 000		7.0%
	of the amount above R75 750	
R365 001 – R550 000		R20 248 + 21.0%
	of the amount above R365 000	
R550 001 and above		R59 098 + 28.0%
	of the amount above R550 000	
Public benefit organisations and recreational clubs (trading income only)	28.0%	28.0%

(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 20%, 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 is levied at 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.

### **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: 7.5% of the purchase price if the seller is a natural person, 10% if the seller is a company and 15% if the seller is a non-resident 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.

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## INTEREST RATES PAYABLE / RECEIVABLE

	1 July 2016	1 Mar 2016
Late or underpayment of tax	10.50% p.a.	9.75% p.a.
Refund of overpayment of provisional tax	6.50% p.a.	5.75% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	10.50% p.a.	9.75% p.a.
Refund of VAT after prescribed period	10.50% p.a.	9.75% p.a.
Late payment of VAT	10.50% p.a.	9.75% p.a.
Customs and Excise	10.50% p.a.	9.75% p.a.

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## 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.

The Budget proposal makes reference to expand the VAT base in 2018 / 2019 by removing the zero-rating on fuel. This will be subject to consultations leading up to the 2018 Budget.

## 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.

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## 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.

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## 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. The employer and employee contributions are both calculated at a rate of 1% of the employee's gross remuneration up to a prescribed remuneration threshold (before the deduction of pension fund, retirement annuity fund and qualifying medical aid contributions), where applicable. The maximum remuneration on which UIF contributions are calculated is R14 872 per month or R 178 464 p.a. Note that the remuneration threshold is subject to change from time to time.

## **BBBEE STATUS: LEVEL THREE CONTRIBUTOR**

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