

BUDGET 2017

TAX GUIDE



SARS
At Your Service

This SARS pocket tax guide has been developed to provide a synopsis of the most important tax, duty and levy related information for 2017/18.

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates for the period from 1 March 2017 to 28 February 2018

Individuals and special trusts

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

Trusts other than special trusts

Rate of Tax 45%

Tax Rebates and Tax Thresholds

Rebates	
Primary	R13 635
Secondary (Persons 65 and older)	R7 479
Tertiary (Persons 75 and older)	R2 493
Age	
Tax Threshold	
Below age 65	R75 750
Age 65 to below 75	R117 300
Age 75 and over	R131 150

Provisional Tax

A provisional taxpayer is any person who earns income other than remuneration from a registered employer or an allowance or advance payable by the person's principal. An individual is exempt from the payment of 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 (R)	Rate of Tax (R)
0 – 25 000	0% of taxable income
25 001 – 660 000	18% of taxable income above 25 000
660 001 – 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% 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 withdrawal benefits accruing before lump sum X from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011.

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
0 – 500 000	0% of taxable income
500 001 – 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, sickness, accident, injury, incapacity, redundancy or termination of the employer's trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (lump sum or severance benefit Y) is equal to –

- the tax determined by the application of the tax table to the aggregate of amount Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other 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 from a South African source earned by any natural person under 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from taxation.
- Interest is exempt where 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.

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 employee. The deduction is limited to 27.5%

of the greater of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sums and severance benefits). Furthermore, the deduction is limited to a maximum of R350 000. 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 tax payable, individuals are allowed to deduct –

- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R303 each for the individual who paid the contributions and the first dependant on the medical scheme and R204 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.

Allowances

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 in the Republic of South Africa and the allowance or advance is granted to pay for—

- meals and incidental costs, an amount of R397 per day is deemed to have been expended;
- incidental costs only, an amount of R122 for each day which falls within the period is deemed to have been expended

Where 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 / 2017

Travelling allowance

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:

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
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
exceeding 595 000	154 879	150.9	84.9

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. *Continues on next page*

INCOME TAX: INDIVIDUALS AND TRUSTS Continued

Alternatively:

Where the distance travelled for business purposes does not exceed 12 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 355 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.

Other deductions

Other than the deductions set out above an individual may only claim deductions against employment income or allowances in limited specified situations, e.g. bad debt in respect of salary.

Fringe Benefits

Employer-owned vehicles

- The taxable value is 3.5% of the determined value (the cash cost including VAT) per month of each vehicle. Where the vehicle is—
 - the subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3,25% of the determined value; or
 - acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- 80% of the fringe benefit 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.
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes (substantiated by a log book) divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income.

Residential accommodation

The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula or the cost to the employer if the employer does not have full ownership of the accommodation.

The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated Institutions.

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2017 and 31 March 2018

Type	Rate of Tax (R)
Companies	28% of taxable income

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2017 and 31 March 2018

Taxable Income (R)	Rate of Tax (R)
0 – 75 750	0% of taxable income
75 751 – 365 000	7% of taxable income above 75 750
365 001 – 550 000	20 248 + 21% of taxable income above 365 000
550 001 and above	59 098 + 28% of taxable income above 550 000

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 March 2017 and 28 February 2018

Taxable turnover (R)	Rate of tax (R)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

RESIDENCE BASIS OF TAXATION

Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable. This is applicable to individuals, companies, close corporations, trusts and estates.

TAXATION OF CAPITAL GAINS

Capital gains on the disposal of assets are included in taxable income.

Maximum effective rate of tax:

Individuals and special trusts	18%
Companies	22.4%
Other trusts	36%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. The following are some of the specific exclusions:

- 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) of 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 limited circumstances 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 sportspersons

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 sportspersons.

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 the 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 14% on the supply of goods and services by registered vendors.

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 that are not subject to VAT -

Acquisition of property by all persons:

Value of property (R)	Rate
0 – 900 000	0%
900 001 – 1 250 000	3% of the value above R900 000
1 250 001 – 1 750 000	R10 500 + 6% of the value above R 1 250 000
1 750 001 – 2 250 000	R40 500 + 8% of the value above R 1 750 000

2 250 001 – 10 000 000	R80 500 + 11% of the value above R2 250 000
10 000 001 and above	R933 000 + 13% of the value above R10 000 000

Estate Duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents.

A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

Donations Tax

- Donations tax is levied at a flat rate of 20% on the value of property donated.
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax.
- In the case of a taxpayer that is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses and South African group companies and donations to certain public benefit organisations are exempt from donations tax.

Securities Transfer Tax

The tax is imposed at a rate of 0.25 of a per cent on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

Tax on International Air Travel

R190 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.

Skills Development Levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from payment of the skills development levy.

Unemployment Insurance Contributions

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

Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

SARS INTEREST RATES

Rate of interest (from 1 April 2016)	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	8% p.a.
Rates of interest (from 1 July 2016)	
Late or underpayment of tax	10.5% p.a.
Refund of overpayment of provisional and employees' tax	6.5% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	10.5% p.a.
Refund of VAT after prescribed period	10.5% p.a.
Late payment of VAT	10.5% p.a.
Customs and Excise	10.5% p.a.

BUDGET Highlights



Personal income tax increase of **R16.5 bn** due to not adjusting fully for the effect of inflation and the introduction of a top marginal tax rate of **45%** on taxable income **above R1 500 000**

to 20%
from 15%

DIVIDENDS TAX RATE INCREASES
on 22 February 2017

INCREASE IN EFFECTIVE TAX RATE ON FOREIGN DIVIDENDS
for tax years commencing on or after 1 March 2017



A health promotion levy on sugary beverages at 2.1 cents per gram of sugar content above 4 grams per 100 millilitre will be implemented in 2017 as soon as legislative amendments have been promulgated



The value at which property is taxed at 0% is increased from **R750 000 to R900 000**

Withholding tax on non-residents disposing of immovable property is increased from **5% to 7.5%** for foreign Individuals, from **7.5% to 10%** for foreign companies and from **10% to 15%** for foreign trusts



General fuel levy increases by 30 cents per litre and road accident fund levy increases by 9 cents per litre on 5 April 2017



Cap on annual contributions to tax free investment accounts increases from R30 000 to R33 000