

Budget 2009

*Tax card*



ROUTLEDGE MODISE

In association with



EVERSHEDS

## Interest Rates

<i>Effective date</i>	<i>A%</i>	<i>B%</i>	<i>C%</i>
01/09/02	9.0	13.0	13.5
01/10/02	11.5	15.5	-
01/03/03	-	-	14.5
01/04/03	12.5	16.5	-
01/07/03	11.0	15.0	13.0
01/09/03	10.0	14.0	12.0
01/10/03	9.0	13.0	-
01/12/03	7.5	11.5	9.5
01/03/04	-	-	9.0
01/09/04	-	-	8.5
01/11/04	6.5	10.5	-
01/09/05	-	-	8.0
01/09/06	-	-	9.0
01/11/06	7.0	11.0	-
01/03/07	8.0	12.0	10.0
01/09/07	-	-	11.0
01/11/07	9.0	13.0	-
01/03/08	10.0	14.0	12.0
01/09/08	11.0	15.0	13.0

- A What SARS pays on overpayment
- B What SARS charges on outstandings
- C Official rate (fringe benefits)

## Individuals and Trusts – Tax Rates

*1 March 2009 to 28 February 2010*

*Individuals and special trusts*

<b>Taxable income</b>	<b>Rate of tax</b>		<b>R</b>
R			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

**Trusts other than special trusts** 40% of each R1

**Tax rebates and deductions** **2010** **2009**

*Rebates*

- Primary rebates – individuals R9 756 R8 280
- Additional rebates – persons over 65 R5 400 R5 040

*Tax threshold*

Under 65	R54 200	R46 000
65 and over	R84 200	R74 000

## Deductions

- Medical expenses

From 1 March 2009 taxpayers under 65 are entitled to a basic deduction for contributions to a medical aid scheme of R625 for the taxpayer and R625 for the first dependant and R380 for each additional dependant thereafter. Any portion of the contributions not allowed as part of the basic deduction, together with qualifying medical expenses, will be allowed as an additional deduction to the extent that it exceeds 7.5% of taxable income (before the medical deduction). For persons over 65 this amount is fully deductible.

Contributions paid by an employer to the medical aid scheme will cease to qualify as a tax-free fringe benefit. All contributions paid by an employer will be regarded as taxable and the employee will be permitted to claim a tax deduction for contributions up to the cap.

- Pension contributions

A person's current contributions, limited to the greater of R1 750 or 7.5% of retirement funding remuneration, are tax deductible.

- Retirement annuity contributions

A person's current year contributions are deductible, limited to the greater of R1 750 or R3 500 less the allowable deduction for contributions to a pension fund or, 15% of the taxpayer's taxable income (before certain deductions such as medical expenses are taken into account) excluding income from retirement funding employment.

## Exemptions

- In respect of taxable interest

Under 65	R21 000	R19 000
65 and over	R30 000	R27 500

A maximum of R3 500 out of the total exemption is available for foreign dividends and foreign interest.

## Retirement Fund Lump Sum Benefits

<b>Taxable income</b>	<b>Rate of tax</b>		
R			R
0 – 300 000	18%	of each R1	
300 001 – 600 000	54 000 + 27%	of the amount above	300 000
600 001 and above	135 000 + 36%	of the amount above	600 000

The taxable income from a retirement fund lump sum withdrawal benefit is determined after deducting a lifetime exemption of R22 500.

The taxable income from a retirement fund lump sum benefit is determined after deducting a lifetime exemption of R300 000.

## Schedule of Values for Travelling Allowances

*Value of the vehicle*   *Fixed cost*   *Full cost*   *Maintenance cost*  
(including VAT)

R	R	c	c
0 – 40 000	14 672	58.6	21.7
40 001 – 80 000	29 106	58.6	21.7
80 001 – 120 000	39 928	62.5	24.2
120 001 – 160 000	50 749	68.6	28.0
160 001 – 200 000	63 424	68.8	41.1
200 001 – 240 000	76 041	81.5	46.4
240 000 – 280 000	86 211	81.5	46.4
280 001 – 320 000	96 260	85.7	49.4
320 001 – 360 000	106 367	94.6	56.2
360 001 – 400 000	116 012	110.3	75.2
Exceeding 400 000	116 012	110.3	75.2

### Note

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.

Of the actual distance travelled during a tax year, in the absence of a log book, it is deemed that the first 18 000 kilometres are travelled for private purposes and the balance, but not exceeding 14 000 kilometres, is travelled for business purposes. This will be abolished in 2010/11 and log books will be required.

From 1 March 2006, 60% of the travel allowance is subject to PAYE.

### *Alternatively:*

- Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 292 cents per kilometre regardless of the value of the vehicle.
- This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.

## Fringe Benefits Tax – Company Cars

### Scale of taxable benefits – employer owned vehicles

- Taxable value is 2.5% of the determined value (usually the cash cost excluding VAT) per month.
- Where a second (and further) vehicle is made available to an employee or his or her family, and the vehicle is not used primarily for business purposes, the benefit is:
  - 2.5% per month on the vehicle with the highest value, and
  - 4% per month on the remaining vehicles.
- Where the employee bears the cost of all fuel used for the purposes of the private use of the vehicle (including travelling between the employee's place of residence and his or her place of employment) the monthly percentage to be applied is reduced by 0.22%.
- If the employee bears the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres) the monthly percentage to be applied is reduced by 0.18%.

### *Exchange control – individuals*

#### **Single discretionary allowance**

An annual allowance of R500 000 is granted per individual, which may be used for business and holiday travel, donations, gifts and maintenance. Greater amounts may be granted if one makes an application.

The allowance may be taken in any form, i.e. cash (foreign), traveller's cheques or credit cards. A maximum of R5 000 in cash may be taken additionally.

#### **Investment allowance**

A once off foreign investment allowance of R2 000 000 is granted per individual to invest abroad.



## Estate Duty

### *Tax base*

- All "property" at date of death.
- Non-residents - property situated in South Africa at date of death.

### *Deductions*

- Liabilities at date of death (including the CGT liability on death).
- Bequests to public benefit organisations within South Africa.
- Property accruing (including bequests) to a surviving spouse.

### *Abatement*

Estate duty abatement R3.5 million.

### *Rate* – 20%

### *Community of property marriage*

Only half of the joint estate is brought to account.

## Donations Tax

### *On whom levied*

Donations made by South African resident individuals and companies. All donations of foreign property by a South African resident are subject to donations tax.

### *Rate* – 20%

### *Main exclusions*

- Donations between spouses.
- Donations to approved scientific or public benefit organisations.
- First R100 000 per year of assessment (natural persons only)
  - a husband and wife are each entitled to this exemption.
- Casual gifts by a donor other than a natural person
  - maximum R10 000 per tax year.

# Capital Gains Tax – Effective 1 October 2001

## *Tax base*

- Residents – disposal of worldwide assets (including death, emigration and donations).
- Non-residents – fixed property and certain shares in companies owning fixed properties, disposal of the business assets of a permanent establishment in South Africa.
- Gains/losses made on the sale of shares held longer than three years are now automatically treated as capital gains or losses.

## *Deductions and exemptions*

- Value of assets at 1 October 2001, TAB base cost or cost of assets acquired thereafter.
- On a primary residence with a gross value less than R2 million – no CGT payable.
- For a primary residence valued above R2 million, R1.5 million of the gain will be exempt.
- For a natural person – R17 500 (in the year of death: R120 000).
- For special trusts – R16 000.
- Capital losses brought forward.

## *Exclusions*

- Personal-use assets.
- Domestic insurance policies – to the original beneficial owner or his dependants only.
- Compensation for injury, illness or defamation.
- Retirement benefits.

## *Effective capital gains tax rates*

<b>Taxpayer</b>	<b>Maximum effective rate (%)</b>
Individual and special trusts	10
Other trusts	20
Ordinary companies	14
Small business corporation	
R0 – R46 000	0
R46 001 – R300 000	5
R300 001 and above	14
Branch of a foreign company	16.5
Employment company	16.5

## Transfer Duty

### *Rates for transfer duty for individuals*

<b>Property value</b>	<b>Rates of tax</b>
R0 – R500 000	0%
R500 001 – R1 000 000	5% on the value above R500 000
R1 000 001 and above	R25 000 plus 8% on the value above R1 000 000

For persons other than individuals, transfer duty is levied at a rate of 8% of the consideration.

## Companies – Tax Rates

<b>Normal tax</b>	<b>2010</b>	<b>2009</b>
<b>Type of income</b>	<b>Rate of tax %</b>	
Small Business Corporation (section 12E)		
• R0 – R54 200	0	0
• R54 201 – R300 000	10	10
• R300 001 and above	28	28

Presumptive tax for Micro Business after 1 March 2009 (The Sixth Schedule)

<b>Turnover</b>	<b>Tax liability</b>
R0 – 100 000	0%
R100 001 – 300 000	1% of each R1 above R100 000
R300 001 – 500 000	R4 000 + 3% of the amount above R300 000
R500 001 – 750 000	R12 000 + 5.1% of the amount above R500 000
R750 001 – 1 000 000	R20 500 + 7.1% of the amount above R750 000

Employment company	33	33
Normal companies	28	28
Foreign resident companies which trade in South Africa through a branch/agency	33	33

### *Secondary tax on companies (STC)*

<b>On dividends declared</b>	<b>Rate of tax %</b>
• Until 1 October 2007	12.5
• On or after 1 October 2007	10.0

#### **Notes**

- I) The tax rate is applied to the net amount, being dividends declared less all dividends received during the “dividend cycle”(excluding taxable foreign dividends if applicable).
- II) South African branches of foreign resident companies are exempt from STC.
- III) STC will be replaced with a final withholding dividend tax at shareholder level but STC credits will continue for five years. The president will need to give three months’ notice before bringing these provisions into effect.

## Tax Allowances

### *Plant and machinery*

	<i>%</i>
Brought into use 1 July 1995 to 30 Sept 1999 – new	33.3%
Brought into use on or after 1 March 2002 – new & unused	
• First year	40%
• Years 2 to 4	20% p.a.
Other	20% p.a.

### *Factory buildings*

Erected during 1 July 1996 to 30 Sept 1999	10% p.a.
Other	5% p.a.

### *Commercial buildings*

Commercial buildings (newly constructed and upgraded) 5% p.a.

### *Urban rejuvenation*

New commercial and residential buildings	
First year	20%
Thereafter	8% p.a.
Refurbishment of commercial and residential buildings	20% p.a.

### *Research and development expenditure*

Current research and development expenditure	150%
Capital expenditure on research and development	50%,30%,20%

### *Small business corporations*

Manufacturing plant	100%
Other assets	50%,30%,20%

### *Computers*

Computers (mainframe)	20%
Computers (personal computers)	33.33% p.a.
Computer software (mainframes)	
• Purchased	33.33% p.a.
• Self developed	100%
Computer software (personal computer)	50% p.a.

### *Vehicles*

Delivery vehicles	25% p.a.
Passenger vehicles	20% p.a.
Trucks (heavy duty)	33.33% p.a.
Trucks (other)	25% p.a.

### *Other*

Furniture & fittings	16.67% p.a.
Telephone equipment	20% p.a.
Photocopying equipment	20% p.a.

### *Water pipes and electricity transmission lines*

Water pipes and transmission lines for electrical power	5% p.a.
Pipelines used for the transmission of natural oil	10% p.a.

## Value-added Tax

Standard rate from 7 April 1993 – 14%

Registration threshold: turnover achieved or likely to be achieved from 1 March 2009 is R1 million p.a.

### *Frequency of returns*

- 2 monthly – turnover R1 000 000 – R29 999 999.
- 1 monthly – turnover R30 000 000 and above.
- It is proposed that the threshold for small businesses to submit four-monthly VAT returns be increased from the current R1.2 million p.a. to R1.5 million p.a. The same threshold will apply to farmers who wish to file VAT returns every six months.

## Skills Development Levy

Payable at 1% by employers on the “remuneration” as defined for PAYE purposes. Employers paying annual remuneration of less than R500 000 are exempt from skills development levies from 1 August 2005.

## Unemployment Insurance Contributions

- Contributions are based on “remuneration” as defined for PAYE purposes.
- Rate of contribution is 1% by the employer and 1% by the employee, and the employer is obliged to withhold the employee’s contribution and pay both amounts to SARS.
- The maximum contribution is R24 956 i.e. where any employee earns more than R12 478 per month, the contribution is payable only on the first R12 478 and the balance is not subject to the contribution.

## Withholding Tax On Royalties

Royalty payments to non-residents are subject to a final withholding tax of 12% (or a rate determined by a relevant DTA).

## Withholding Tax On Capital Gains By Non-Residents On Immovable Property

### **Where the seller is**

- A natural person – 5%
- A company – 7.5%
- A trust – 10%

## Other Taxes

### *Stamp duty*

Stamp duty is imposed on lease agreements of fixed property entered into before 1 April 2009 (exemption exists for agreements for a rental period of 5 years or shorter) – 0.5%.

### *Securities transfer tax*

STT is imposed from 1 July 2008 at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies of members' interests in closed corporations (equity). Debt instruments are exempt from STT. In the case of unlisted securities, STT is payable by the company whose shares are being transferred, within two months from the date of the transfer.

### *Mining royalty*

As from 1 May 2010 a mining royalty will be payable by persons who extract or win a mineral resource from within the Republic when that mineral resource is transferred for the first time.

The royalty payable is calculated separately for refined and unrefined minerals and is calculated as gross sales multiplied by a percentage in terms of a "royalty formula". The percentage for refined minerals is capped at 5% and at 7% for unrefined minerals.



## Editorial panel

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