Deloitte.

Quick Tax Guide 2016/17

Driving progress

South Africa

Individuals

Tax Rates and Rebates

Individuals, Estates & Special Trusts [(1)]
(Year ending 28 February 2017)

Taxable income	Rate of tax
R0 – R188 000	18% of taxable income
R188 001 – R293 600	R33 840 + 26% of taxable income above R188 000
R293 601 – R406 400	R61 296 + 31% of taxable income above R293 600
R406 401 – R550 100	R96 264 + 36% of taxable income above R406 400
R550 101 – R701 300	R147 996 + 39% of taxable income above R550 100
R701 301 and above	R206 964 + 41% of taxable income above R701 300

Note (1): Trusts for the benefit of ill or disabled persons and testamentary trusts established for the benefit of minor children.

Rebates		
Primary Rebate:	All individuals	R13 500
Age Rebate(s) *:		
Secondary Rebate	Age 65 and older	R7 407
Tertiary Rebate	Age 75 and older	R2 466

** Additional to Primary Rebate.*

Tax Threshold	
Below age 65	R75 000
Age 65 and older	R116 150
Age 75 and older	R129 850

Exemptions

Interest Exemption - Local Interest	
Individuals under 65 years of age:	R23 800 per annum
Individuals over 65 years of age	R34 500 per annum

Interest earned by a non-resident is exempt unless the non-resident was physically present in South Africa (SA) for more than 183 days during the 12-month period preceding the date on which the interest is received or accrued, or the debt from which the interest arises is effectively connected to a permanent establishment (PE) of that person in SA.

With effect from 1 March 2015, interest paid to non-residents is subject to withholding tax (WHT) at a rate of 15% (see Withholding taxes).

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Dividends

Subject to certain exceptions, local dividends are fully exempt from income tax in the hands of the recipient. However, see comments below in respect of WHT on dividends in the form of a dividends tax. Foreign dividends are subject to income tax in the hands of a South African shareholder, but exempt if the shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Foreign dividends received by individuals from foreign companies are taxable at a maximum effective rate of 15%. No deductions are allowed for expenses incurred to produce foreign dividends.

Tax-free investments

Amounts received by or accrued to an individual in respect of particular prescribed investment instruments and policies are exempt. Contributions to these prescribed investments/policies are subject to a R30 000 annual limit and a R500 000 lifetime limit.

Remuneration for services rendered outside South Africa

SA residents working abroad for more than 183 days over a 12-month period, and for a continuous period of more than 60 days during that period, are exempt from income tax on remuneration for services rendered while abroad.

Deductions and Tax Credits

Medical expenses

- Medical scheme fees tax credit:
  Monthly credit of R286 each for the taxpayer and his/her spouse (or first dependant), and a further R192 for every additional dependant
- Taxpayers 65 years (or older) and taxpayers with a disability (taxpayer, spouse or child):
  - 33.3% of the amount of contributions to a medical scheme as exceeds 3 times the medical scheme fees tax credit.
  - 33.3% of qualifying medical expenses incurred.
- Taxpayers under 65 years:
  - 25% of the aggregate of the amount of fees paid to a medical scheme as exceeds 4 times the medical scheme fees tax credit and qualifying medical expenses as exceeds 7.5% of taxable income (before medical deduction and excluding retirement lump sum benefits).

Retirement fund contributions

- A taxable fringe benefit will arise in the hands of the employee in relation to an employer's contribution to a retirement fund.
- Individuals will be able to claim a deduction of up to 27.5% of their taxable income for contributions to pension, provident and retirement annuity funds, with a maximum annual deduction limit of R350 000.

Notes:
1. Any excess may be carried forward to the following year of assessment.

Donations

Donations to certain approved public benefit organisations (PBOs) are tax deductible. The tax deduction is limited to 10% of taxable income before donations (excluding retirement fund lump sums and severance benefits). These organisations include most welfare, health care, education and development, land and housing, conservation, environmental and animal welfare organisations, with certain exceptions. Any excess may be carried forward and is treated as a donation made in the subsequent year.

Benefits and Allowances

Travel allowances

The following table sets out the three components of the rates which may be used in determining the cost of business travel, where actual costs are not used.
Pay-As-You-Earn (PAYE) is withheld from 80% of travel allowances (20% is allowed in some circumstances):

Value of the vehicle (incl. VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 – 80 000	26 675	82.4	30.8
80 001 – 160 000	47 644	92.0	38.6
160 001 – 240 000	68 684	100.0	42.5
240 001 - 320 000	87 223	107.5	46.4
320 001 - 400 000	105 822	115.0	54.5
400 001 - 480 000	125 303	132.0	64.0
480 001 - 560 000	144 784	136.5	79.5
Exceeding 560 000	144 784	136.5	79.5

* If the travel allowance is applicable to a portion of the tax year, the fixed cost is reduced proportionately.

** Where the travel allowance is based on actual distance travelled and business travel during the tax year does not exceed 8 000 kilometres, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 329 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 (other than for parking or toll fees) is received from the employer in respect of the vehicle.

*** The logbook method to claim business travelling expenses is compulsory.

Company car fringe benefit

Taxable value per month = 3.5% of determined value (retail market value as determined by Regulation). (If subject to a maintenance plan, 3.25%). These rates apply for all vehicles provided by an employer. The benefit will be reduced by any consideration paid by the employee (other than consideration relating to insurance, licensing, maintenance or fuel, for which there are specific deductions available). On assessment there will be a reduction in the fringe benefit for business use, where an employee can furnish accurate records of distances travelled for business purposes and total distances travelled. The employee will also be entitled to a reduction in the taxable fringe benefit where he/she has borne the full expenditure relating to maintenance, licensing, insurance or fuel in relation to the company car, and has kept accurate details thereof. 80% of the fringe benefit will be included in remuneration for PAYE purposes. This monthly fringe benefit inclusion may be further reduced where employees travel extensively for business.

Residential accommodation

The taxable fringe benefit to be included in gross income will ordinarily be calculated by applying a prescribed formula, but it will comprise the lower of the formula and the cost to the employer in circumstances where the employer supplied accommodation that was obtained under an arm's length transaction with an independent third party. No taxable fringe benefit will apply in certain circumstances, including in the case of accommodation provided to employees who are away from their usual place of residence within SA or their usual place of residence outside SA (i.e. in respect of expatriate employees), subject to certain conditions and limitations.

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Subsistence allowances

Subsistence allowances are tax-free if they are granted to an employee who is obliged to spend at least one night away from his usual place of residence whilst on business and if they do not exceed the following amounts:

- Varying amounts per day for meals and incidental costs for travel outside the Republic depending upon the country(ies) visited.
- R372 per day for meals and incidental costs for travel within the Republic.
- R115 per day for incidental costs only within the Republic.

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 as a taxable fringe benefit.

Retirement Fund Lump Sum Withdrawal Benefits

Lump sum benefits in consequence of membership of a retirement fund, including amounts assigned in terms of divorce settlements in certain circumstances, other than lump sum benefits as below, are taxed according to the following table:

Taxable income from withdrawal benefits	Tax payable
R0 - R25 000	0% of taxable income
R25 001 – R660 000	18% of taxable income above R25 000
R660 001 – R990 000	R114 300 + 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Note: Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009) or a severance benefit (after 1 March 2011).

Severance Benefits and Retirement Fund Lump Sum Benefits

Severance benefits are lump sums received by employees from employers in respect of the relinquishment or termination of employment for the following reasons:

- Attaining the age of 55 years.
- Due to incapacity through sickness or other ailment.
- Retrenchment due to cessation of trade or general reduction in staff.

Severance benefits and lump sum awards following retirement or retrenchment are taxed according to the following table:

Taxable income from severance benefits	Tax payable
R0 – R500 000	0% of taxable income
R500 001 - R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

Note: Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009), or a severance benefit (after 1 March 2011).

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Companies and Trusts

Tax Rates

(Unless otherwise stated, financial years ending on any date between 1 April 2016 and 31 March 2017)

Basic rate (other than entities specified below)	28%
Companies in certain special economic zones (proposed)	15%
Trusts (other than special trusts)*	41%

*Years of assessment ending during the period of 12 months ending on 28 February 2017.

- Small business corporations (annual turnover of R20 million or less):

Taxable income	Rate of tax
R0 – R75 000	0 % of taxable income
R75 001 – R365 000	7% of taxable income above R75 000
R365 001 – R550 000	R20 300 + 21% of taxable income above R365 000
R550 001 and above	R59 150 + 28% of the amount above R550 000

- Elective presumptive turnover tax for micro-businesses (qualifying annual turnover of R1 million or less)*:

Taxable turnover	Rate of tax
0 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of the amount above R335 000
R500 001 – R750 000	R1 650 + 2% of the amount above R500 000
R750 001 and above	R6 650 + 3% of the amount above R750 000

Note: Qualifying micro-businesses are able to pay turnover tax, VAT and employees' tax twice a year
*Years of assessment commencing on 1 March 2016 or ending on 28 February 2017.

- Long-term insurers:
  - Individual policyholder fund 30%
  - Company policyholder fund and risk fund 28%
  - Corporate fund 28%
  - Untaxed policyholder fund 0%
- Gold mining companies:
  - On gold mining income 34 - (170/x)*

* Where "x" is the ratio of taxable income from gold mining to income from gold mining, expressed as a percentage.
  - On other income 28%
- Foreign resident companies earning SA source income: 28%
- PBOs and recreational clubs*: 28%

* Annual trading income exemption for PBOs and recreational clubs are R200 000 and R120 000 respectively.

Capital Allowances

Buildings

• Industrial (manufacture or similar process):	
- Commenced 1/7/96 – 30/9/99	10%
- After 1 January 1989	5%
- Other	2%
• New and unused commercial buildings (and improvements):	5%

Intellectual property (see also Research and development)

• Costs incurred in acquiring (i.e. other than developing or creating):	
- Inventions, patents or copyrights	5%
- Designs	10%

Note: Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trademarks.

Research and development (R&D)

Costs incurred in any year of assessment:

Systematic investigative or experimental activities of which the result is uncertain for discovering non-obvious scientific or technical information, or creating any invention, design, computer program or essential knowledge, specified improvements to the above, certain pharmaceutical products and clinical trials	150%

New or unused machinery, plant, implement, utensils or article or improvements thereto brought into use for the first time for R&D purposes:	50%/30%/20%

Note: The R&D must be approved by the Minister of Science and Technology in advance to qualify for the enhanced allowance of 150%. To the extent that government grants are received to fund R&D, the expenditure so incurred does not qualify for the additional 50% allowance. Certain activities are excluded.

Plant and machinery

Manufacturing or similar process (new only)	40%/20%/20%/20
Industrial policy projects (additional investment allowance):	
- Preferred status	*55%*
- Preferred status in IDZ (SEZ)	*100%*
- Other	*35%*
- Other in IDZ (SEZ)	*75%*
Renewable energy technology equipment	50%/30%/20%
Small business corporations:	
- Manufacturing assets	*100%*
*- Other depreciable assets**	*50%/30%/20%*

* General depreciation regime optional.

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Movable capital assets
Assets that are not subject to other capital allowances: Wear-and-tear at rates in terms of Interpretation Note No.47 (Issue 3) may apply. Any asset costing R7 000 or less may be written off in the year in which it is acquired.

Older buildings, plant, aircraft and ships and R&D assets
These may be subject to allowances at different rates.

Employees' Tax
Employees' tax is withheld by an employer from remuneration paid to an employee. Directors of private companies are subject to tax on their "deemed remuneration" calculated in accordance with a formula, as well as any actual remuneration paid or payable to them unless at least 75% of their remuneration in the previous tax year comprised fixed monthly payments.

Note: All allowances paid to an employee (except subsistence allowances and travel allowances) are subject to employees' tax in full or according to a formula.

Skills Development Levy (SDL)

On remuneration payable	1%

Note: Employers with annual payroll of less than R500 000 are exempt, as well as certain approved PBOs. Generally, the total value of remuneration paid is used to calculate the levy, but it excludes amounts paid to independent contractors, reimbursement payments to employees, pensions paid and remuneration of learners under contract.

Unemployment Insurance Fund (UIF) Contributions
UIF 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 (currently R14 872). Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Employment Tax Incentive
Employers of qualifying employees (e.g. employees between the age of 18 and 29 years) may be eligible for a rebate / refund of employees' tax as follows:

- First twelve months of qualifying employee's employment:
  - 50% of an employee's monthly remuneration up to R2 000 per month. (This would only be applicable if the minimum wage prescribed by the relevant sector determination or bargaining council agreement was less than R2 000 per month).
  - For an employee with a monthly remuneration of between R2 000 and R4 000, the incentive will be R1 000 per month.
  - For employees with monthly remuneration of between R4 000 and R6 000, the value of the incentive will be between R1 000 and zero per month, as determined in terms of a formula.
- Second twelve months of qualifying employee's employment: Half of the amounts mentioned above.

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Other Taxes, Duties and Levies

Withholding Taxes (WHTs)

Dividends tax

Dividends tax (DT) must be withheld from dividends at a rate of 15% by local companies and foreign companies on shares listed on the Johannesburg Stock Exchange (JSE). The rate may be reduced in terms of Double Taxation Agreements (DTAs). Exemptions apply for domestic retirement funds, PBOs and domestic companies. Certain requirements have to be complied with in order for the exemption or reduced rate to apply.

Other payments to non-residents#

• Royalties*	15%
• Interest**	15%
• Service fees***	–
• Sportsmen and entertainers who perform in SA	15%
• Fixed property acquired in SA from a seller that is a non-resident:	
- If the non-resident is a natural person	*5%*
- If the non-resident is a company	*7.5%*
- If the non-resident is a trust	*10%*

Note: WHT is not payable on fixed property if the total amount payable for the immovable property does not exceed R2 million.

Certain of these rates may be reduced by DTAs.
* The WHT on royalties is a final tax levied at 15% (prior to 1 January 2015, 12%). The WHT does not apply to amounts derived by non-resident companies from a branch or agency in South Africa, or to amounts relating to the use of certain copyrights in printed publications, or royalties paid to any controlled foreign company.
** The WHT on interest is effective from 1 March 2015. Certain exemptions apply (e.g. government bonds, listed debt and local collective investment schemes).
*** It has been proposed that the planned introduction of withholding tax on service fees be scrapped. Certain transactions may however give rise to a requirement to formally report the arrangement to SARS.

Capital Gains Tax (CGT)

Inclusion rates*	
Individuals, special trusts and individual policyholder funds	40%
Other taxpayers	80%

* Effective 1 March 2016

Exclusions	
Individuals, special trusts and individual policyholder funds	R40 000
Companies	nil
Individuals in year of death	R300 000
Primary residence exclusion on the disposal of a primary residence	R2 million gain/loss
Small business assets (persons over age 55 and market value of assets not more than R10 million)	R1.8 million

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Value-Added Tax (VAT)

Rates: 14% and 0%

The VAT registration threshold is R1 million of taxable supplies per annum. A vendor making taxable supplies of more than R50 000, but not more than R1 million per annum, may apply for voluntary registration. Non-residents that carry on an enterprise in SA are required to register. Certain supplies are zero-rated or exempt from VAT.

Provisional Tax

A provisional taxpayer is a company and any person who earns income other than remuneration or an allowance/advance payable by the person's principal. Compulsory provisional tax payments – which are made six months after the beginning of a year of assessment, as well as at the end of it – represent tax on expected income. A "two-tier" model is applicable. For taxpayers with taxable income of less than R1 million (i.e. "tier one" taxpayers), the second provisional payment must equal the lower of the "basic amount", which is the previously assessed income for the latest tax year, escalated by 8% per annum if the assessment is more than one year old, or 90% of actual taxable income. For other taxpayers (i.e. "tier two" taxpayers), an estimate that is equal to at least 80% of the taxable income for the year is required for the second provisional tax payment. A penalty will be levied if the estimate does not meet the required percentage of actual taxable income.

Donations Tax

Rate: 20%

Exemptions include (among others): R100 000 per annum (individuals), R10 000 per annum (private companies), donations between spouses, donations to approved PBOs and recreational clubs, donations by public companies and donations between SA resident group companies, etc.

Estate Duty

Rate: 20% of the dutiable amount of a deceased estate (property of residents and SA property of non-residents). Deductions include: A standard deduction of R3.5 million per estate (R7 million for a married couple) and certain other deductions, the most important of which is the deduction for property accruing to a surviving spouse.

Transfer Duty

Paid on acquisition of immovable property where the transaction is not subject to VAT. Transfer duty is also payable on the acquisition of residential property through an interest in a company or trust. The rates of duty are as follows:

Value of property	Rate
R0 to R750 000	0% of property value
R750 001 to R1 250 000	3% of property value above R750 000
R1 250 001 to R1 750 000	R15 000 + 6% of property value above R1 250 000
R1 750 001 to R2 250 000	R45 000 + 8% of property value above R1 750 000
R2 250 001 to R10 000 000	R85 000 + 11% of property value above R2 250 000
10 000 001 and above	R937 500 + 13% of the value exceeding R10 000 000

Securities Transfer Tax (STT)

STT is a tax levied on the transfer or cancellation of any listed and unlisted security. The STT rate is 0.25%.

Exchange Control

Individuals	***Allowance***
Individuals are entitled to an annual allowance of R10 million which does not require exchange control approval. The Financial Surveillance Department of the South African Reserve Bank (SARB) will consider applications in excess of R10 million subject to conditions.	Foreign capital/investment allowance: - Natural persons: R10 million per calendar year or upon emigration, or R20 million per family unit. - No exchange control approval required.
	Single discretionary allowance: - The annual R1 million allowances may be used for any legal purposes abroad.
	Travel allowance (18 years and under): - The annual allowance is R200 000.
Corporates	
	- No approval from the SARB is required for companies wanting to invest R1 billion or less (per year per application). However, authorised dealers will be required to ascertain whether the company meets certain criteria. - The dispensation for credit card usage, previously limited to individuals, is applicable to corporates.

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