Deloitte.

Budget 2014/15
Driving progress

Quick Tax Guide

Contents

Individuals

Tax Rates and Rebates

Individuals, Estates and Special Trusts (1)
(Year ending 28 February 2015)

Taxable income	***Rate of tax***
R0 – R174 550	18% of taxable income
R174 551 – R272 700	R31 419 + 25% of taxable income above R174 550
R272 701 – R377 450	R55 957 + 30% of taxable income above R272 700
R377 451 – R528 000	R87 382 + 35% of taxable income above R377 450
R528 001 – R673 100	R140 074 + 38% of taxable income above R528 000
R673 101 and above	R195 212 + 40% of taxable income above R673 100

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

Primary Rebate:	All individuals	R12 726
Age Rebate(s) *:		
Secondary Rebate	Age 65 and older	R7 110
Tertiary Rebate	Age 75 and older	R2 367
* Additional to Primary Rebate.		

Tax Threshold:	Below age 65	R70 700
	Age 65 and older	R110 200
	Age 75 and older	R123 350

Exemptions

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 at any time during that period carried on business through a permanent establishment (PE) in SA. Currently, there is no withholding tax (WHT) in respect of interest paid to non-residents but with effect from 1 January 2015, interest paid to non-residents may be subject to WHT at a rate of 15%.

Dividends

Foreign dividends are currently subject to income tax in the hands of a South African shareholder but are exempt if the shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Local dividends remain fully exempt. 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.

Deductions and Tax Credits

Medical expenses

- Medical scheme fees tax credit:
  Monthly credit of R257 each for the taxpayer and his/her spouse (or first dependant), and a further R172 for every additional dependant; and
- Over 65 years and taxpayers with a disability (taxpayer, spouse or child):
  - 33.3% of the amount of contributions to a medical scheme as exceeds three times the medical scheme fees tax credit; and
  - 33.3% of qualifying medical expenses incurred.
- Under 65 years:
  - 25% of the aggregate of the amount of fees paid to a medical scheme as exceeds four 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).

Pension fund contributions

- Current contributions: Limited to the greater of:
  (a) R1 750; or
  (b) 7.5% of remuneration from retirement funding employment.
  Any excess may not be carried forward to the following year of assessment.
- Arrear contributions: R1 800 per annum.
  Any excess over R1 800 may be carried forward to the following year of assessment.

Retirement annuity fund (RAF) contributions

- Current contributions: Limited to the greater of:
  (a) 15% of net income, excluding income derived from "retirement funding employment" (i.e. pensionable earnings); or
  (b) R3 500 less deductible current pension contributions; or
  (c) R1 750.
- Reinstatement contributions: R1 800 per annum.

Notes:

1. Any excess may be carried forward to the following year of assessment.
2. Provident fund contributions made by an individual are not tax deductible.
3. From 1 March 2015, 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 as a result be able to claim a deduction of up to 27.5% of their taxable income for contributions to pension, provident and retirement annuity funds) and a maximum annual deduction threshold will be capped at R350 000.

Donations

Donations to certain approved public benefit organisations (PBOs) are tax deductible. The tax deduction is limited to 10% of taxable income before medical expenses and donations (excluding retirement fund lump sums and severance benefits). These organisations include most welfare, healthcare, education and development, land and housing, and 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	25 946	92.3	27.6
80 001 – 160 000	46 203	103.1	34.6
160 001 – 240 000	66 530	112.0	38.1
240 001 - 320 000	84 351	120.5	41.6
320 001 - 400 000	102 233	128.9	48.8
400 001 - 480 000	120 997	147.9	57.3
480 001 - 560 000	139 760	152.9	71.3
Exceeding 560 000	139 760	152.9	71.3

Notes:

1. If the travel allowance is applicable to a portion of the tax year, the fixed cost is reduced proportionately.
2. 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 330 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.
3. The logbook method to claim business travelling expenses is compulsory.

Company car fringe benefit

Taxable value per month = 3.5% of determined value (e.g. cash cost incl. VAT). (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 on business travel.

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 while 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/countries visited.
- R335 per day for meals and incidental costs for travel within the Republic.
- R103 per day for incidental costs only within the Republic.

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 from retirement funds following retirement or retrenchment are taxed according to the following table:

Taxable income from severance benefits and lump sum benefits	***Tax payable***
R0 – R500 000	0% of taxable income
R500 001 – R700 000	R0 + 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).

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 above, 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).

Companies and Trusts

Tax Rates

(Financial years ending on any date between 1 April 2014 and 31 March 2015)

- Basic rate (other than entities specified below): 28%
- Companies in certain special economic zones (proposed): 15%
- Trusts (other than special trusts): 40%
- Small business corporations:

Taxable income	***Rate of tax***
R0 – R70 700	0 % of taxable income
R70 701 – R365 000	7% of taxable income above R70 700
R365 001 – R550 000	R20 601 + 21% of taxable income above R365 000
R550 001 and above	R59 451 + 28% of the amount above R550 000

- An elective presumptive turnover tax applies for micro-businesses. The rates are:

Taxable turnover	***Rate of tax***
0 – R150 000	0%
R150 001 – R300 000	1% of each R1 above R150 000
R300 001 – R500 000	R1 500 + 2% of the amount above R300 000
R500 001 – R750 000	R5 500 + 4% of the amount above R500 000
R750 001 and above	R15 500 + 6% of the amount above R750 000

Note: Qualifying micro-businesses (within the R1 million turnover limit) are able to pay turnover tax, VAT and employees' tax twice a year.

• Long-term insurers:	
- Individual policyholder fund	30%#
- Company policyholder fund	28%
- Corporate fund	28%
- Untaxed policyholder fund	0%

#Proposed that "risk" policies be taxed in the corporate fund.

• 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):	2% - 10%
• 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, or computer program:	150%
• New or unused building, 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):	35% - 75%
• Renewable energy technology equipment:	50%/30%/20%
• Small business corporations:	
- Manufacturing assets	100%
- Other depreciable assets*	50%/30%/20%

*General depreciation regime optional.

Movable capital assets

Assets which 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 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 R12 478). Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Employee Tax Incentive*

- First twelve months of 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: Half of the amounts mentioned above.

* The refund system will become effective during the fourth quarter of 2014.

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.

Notes:

1. The tax is payable either by the company declaring the dividend or a regulated intermediary. Regulated intermediaries include: brokers, CSDPs and collective investment schemes.
2. The company paying in specie dividends will be liable for the tax.
3. Interest on loans to non-exempt shareholders at less than the official rate of interest will be subject to the tax.
4. STC credits at 1 April 2012 may be used to reduce the WHT requirement until 31 March 2015.

Other payments to non-residents#

• Royalties*:	12%
• Interest**:	15%
• Service fees***:	15%
• 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 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 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. It is proposed that the rate of 12% will increase to 15% and will apply to all royalties paid after 1 January 2015.

** The WHT on interest is effective from 1 January 2015. Certain exemptions apply (e.g. government bonds, listed debt and local collective investment schemes).

*** It is proposed that a WHT on service fees will come into effect on 1 January 2016.

Capital Gains Tax (CGT)

Inclusion rates

• Individuals, special trusts and individual policyholder funds:	33.3%
• Other taxpayers:	66.6%

Exclusions

• Individuals (annual non-cumulative):	R30 000
• Individuals in year of death:	R300 000
• Primary residence exclusion on the disposal of a primary residence:	R2 million gain/loss
• Small business assets (when a person is over age 55) *:	R1.8 million

* Market value not exceeding R10 million.

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 period 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:

- 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.
- Donations between SA resident group companies.

Estate Duty

Rate: 20% of the dutiable amount of a deceased estate (property of residents and SA property of non-residents).

Deductions include:

- Standard deduction: R3.5 million per estate (R7 million for a married couple).
- Certain other deductions are allowed, the most important of which is the deduction for property accruing to the 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, close corporation or trust.

Acquisition of property by all persons:

Value of property	***Rate***
R0 – R600 000	0%
R600 001 – R1 000 000	3% of the amount above R600 000
R1 000 001 – R1 500 000	R12 000 + 5% of the amount above R1 000 000
R1 500 001 and above	R37 000 + 8% of the amount above R1 500 000

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
• Foreign capital/investment allowance: - Natural persons: R4 000 000 p.a. - No exchange control approval required.
• Single discretionary allowance: - Adult (over the age of 18 years): R1 000 000 p.a. - Travel allowance (18 years and under): R200 000 p.a.
• Discretionary allowance can be used in aggregate for a travel allowance, donations, monetary gifts and loans, maintenance transfers, study allowance, alimony, wedding expenses and foreign capital/investment allowance.
Corporates
• No approval from the Financial Surveillance Department is required for companies wanting to invest R500 million or less (per year per application). However, authorised dealers will be required to ascertain if the company meets certain criteria.

*As at 26 February 2014.

Contacts

National Leader, Taxation Services: Nazrien Kader, +27 (0)11 209 6030, nkader@deloitte.co.za
Johannesburg: Nazrien Kader, +27 (0)11 209 6030, nkader@deloitte.co.za
Durban: Mark Freer, +27 (0)31 560 7079, mfreer@deloitte.co.za
Cape Town: Luke Barlow, +27 (0)21 427 5480, lbarlow@deloitte.co.za
Pretoria: Izel du Plessis +27(0)12 482 0125, iduplessis@deloitte.co.za
Port Elizabeth: Lise Claassen, +27 (0)41 398 4009, lclaassen@deloitte.co.za

Facebook:http://www.facebook.com/deloittesa
Twitter: http://www.twitter.com/deloittesa
Blog: http://www.deloitteblog.co.za or http://blog.deloitte.co.za
Website: http://tax.deloitte.co.za
LinkedIn: http://www.linkedin.com/company/deloitte-south-africa/

This guide is based on the Budget proposals tabled in Parliament by the Minister of Finance on 26 February 2014. These proposals are, however, subject to approval by Parliament. The information contained in this guide is for general guidance only and is not intended as a substitute for specific advice in considering the tax effects of particular transactions. While every care has been taken in the compilation of the information contained herein, no liability is accepted for the consequences of any inaccuracies contained in this guide.

© Copyright Deloitte & Touche – 2014