



**Tax Pocket Guide**

**2008/9**  
Another helpful guide brought to you by the South African Revenue Service



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

## INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 28 February 2009)

### Individuals and special trusts

Taxable Income (R)	Rates of Tax (R)
0 - 122 000	18% of each R1
122 001 - 195 000	21 960 + 25% of the amount above 122 000
195 001 - 270 000	40 210 + 30% of the amount above 195 000
270 001 - 380 000	62 710 + 35% of the amount above 270 000
380 001 - 490 000	101 210 + 38% of the amount above 380 000
490 001 and above	143 010 + 40% of the amount above 490 000

### Trusts other than special trusts

Rate of Tax	40%
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### Tax Rebates

Rebates	R
Primary	8 280
Additional (Persons 65 and older)	5 040

### Tax Thresholds

Age	Tax Threshold (R)
Below age 65	46 000
Age 65 and over	74 000

### Provisional Tax

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person's principal. The following individuals are exempt from the payment of provisional tax —

- Individuals below the age of 65 who do not carry on a business and whose taxable income —
  - will not exceed the tax threshold for the tax year; or
  - from interest, dividends and rental will be R10 000 or less for the tax year.

- Individuals age 65 and older if their annual taxable income —
  - consists exclusively of remuneration, interest, dividends or rent from the lease of fixed property; and
  - is R80 000 or less for the tax year.

### Retirement Lump Sum Benefits

Taxable Income (R)	Rates of Tax (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 benefit (lump sum from a pension, provident or retirement annuity fund) is determined by deducting a basic amount of R300 000. The tax payable on a retirement fund lump sum during a year of assessment is determined by aggregating all retirement fund lump sum benefits received during the current and previous years of assessment.

### Foreign Dividends

Most dividends received by individuals from foreign entities are taxable.

### Exemptions

#### Interest and dividends

- Interest and otherwise taxable dividends earned by any natural person under 65 years of age, up to R19 000 per annum, and persons 65 and older, up to R27 500 per annum, are exempt from taxation. Foreign interest and foreign dividends are only exempt up to R3 200 out of the total exemption.
- Interest is exempt where earned by non-residents who are physically absent from South Africa for 183 days or more per annum and who are not carrying on business in South Africa.

### Deductions

#### Current pension fund contributions

The greater of —

- 7,5% of remuneration from retirement funding employment, or
- R1 750.

Any excess may not be carried forward to the following year of assessment.

#### Arrear pensions fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

#### Current retirement annuity fund contributions

The greater of —

- 15% of taxable income other than from retirement funding employment, or
- R3 500 less current deductions to a pension fund, or
- R1 750.

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

#### Arrear retirement annuity fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

### Medical and physical disability expenses

- Taxpayers 65 and older may claim all qualifying expenditure
- Taxpayers under 65 are not taxed on, or may deduct, monthly contributions to medical schemes up to R570 for each of the first two dependants on their medical scheme and R345 for each additional dependant. In addition they can claim a deduction for medical scheme contributions above the caps and any other medical expenses limited to the amount which exceeds 7,5% of taxable income
- Taxpayers under 65 may claim all qualifying medical expenses, where the taxpayer or the taxpayer's spouse or child is a handicapped person. (This rule will be reviewed during 2008.)

### Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income before deducting medical expenses.

### Allowances

#### Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for —

- meals and incidental costs, an amount of R240 per day is deemed to have been expended;
- incidental costs only, an amount of R73.50 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, an amount equal to US\$215 per day is deemed to have been expended.

#### Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business-travel, where no records of actual costs are kept.

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
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
240 001 - 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 are travelled for business purposes.

60% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating 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.

#### 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 and premiums on certain income protection policies.

#### Fringe Benefits

##### Employer-owned vehicles

- The 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 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 other vehicle(s).
- 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/her place of employment) the monthly percentage to be applied is reduced by 0,22 percentage points.
- 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 percentage points.

#### 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 fringe benefit to be included in gross income is the greater of the benefit calculated by applying a prescribed formula or the cost to the employer.

The formula will apply if the accommodation is owned by the employer, or an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

#### INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2008 and 31 March 2009

Type	Rate of Tax
Companies	28%
Small business corporations	
R0 – R46 000	0%
R46 001 – R300 000	10%
R300 001 and above	28%
Employment companies	33%
Foreign resident companies which earn income from a source in South Africa	33%
Secondary tax on companies (STC) on dividends declared after being reduced by dividends receivable during a dividend cycle (South African branches of foreign resident companies are exempt from STC)	10%

#### RESIDENCE BASIS OF TAXATION

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

#### TAXATION OF CAPITAL GAINS

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

Maximum effective rate of tax:	
Individuals	10%
Companies	14%
Trusts	20%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

The following are some of the specific exclusions:

- R1,5 million gain/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 R16 000 capital gain or capital loss is granted to individuals and special trusts
- instead of the annual exclusion, the exclusion granted to individuals is R120 000 during the year of death.

#### OTHER TAXES DUTIES AND LEVIES

##### Transfer Duty

Transfer duty is payable at the following rate on transactions which are not subject to VAT —

- Acquisition of property by natural persons:

Value of property (R)	Rate
0 – 500 000	0%
500 001 – 1 000 000	5% of the value above R500 000
1 000 001 and above	R25 000 + 8% of the value exceeding R1 000 000

- Acquisition of property by persons other than natural persons: - 8% of the value

##### Estate Duty

Estate duty is levied at a flat rate of 20% on all 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 who 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 donations to certain public benefit organisations are exempt from donations tax.

#### Stamp Duty

Stamp duty is imposed on —

- Lease agreements of fixed property (exemption for agreements for a rental period 5 years or shorter) - 0,5 per cent
- Registration of transfer and cancellation of unlisted marketable securities (exemption for interest-bearing securities) - 0,25 per cent until 30 June 2008.

#### Uncertificated Securities Tax

The tax is imposed at a rate of a 0,25 per cent on a change in beneficial ownership (including cancellation) of listed securities which are not interest-bearing until 30 June 2008.

#### Securities Transfer Tax

The tax is imposed from 1 July 2008 at a rate of a 0,25 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

R120 per passenger departing on international flights excluding flights to SACU countries in which case the tax is R60.

#### 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 the payment of Skills Development Levies.

#### Unemployment Insurance Contributions

Unemployment Insurance contributions are payable monthly by employers on the basis of a contribution of 1 per cent by employers and 1 per cent 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

Rates of interest	Rate
Effective from 1 March 2008	
Fringe benefits - interest-free or low-interest loan (official rate)	12% p.a.
Late or underpayments of tax	14% p.a.
Refund of overpayments of provisional tax	10% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	14% p.a.
Refund of VAT after prescribed period	14% p.a.
Late payments of VAT	14% p.a.
Customs and Excise	14% p.a.

#### OTHER TAX PROPOSALS

- Replace STC with a final dividend withholding tax in 2009.
- Increase compulsory VAT registration threshold from R300 000 to R1 million from 2009.
- Simplified tax package for businesses with annual turnover of less than R1 million.
- Incentive to encourage venture capital investment in small and medium-sized businesses.
- Introduce an electricity levy of 2 cents per kilowatt hour.