

# Budget Speech 17<sup>th</sup> February 2010 – In a Nutshell

IN SHORT!	THIS YEAR	LAST YEAR
<b>Income tax threshold increased :</b>		
Below the age of 65	R57 000	R54 200
Aged 65 and over	R88 528	R84 200
<b>Tax rebates increased :</b>		
Primary (for everyone)	R10 260	R9 756
Additional (age 65 and over)	R5 675	R5 400
<b>Top margin tax bracket :</b>	R552 000 40 %	R525 000 40 %
<b>Tax-free interest income increased :</b>		
Below the age of 65	R22 300	R21 000
Aged 65 and over	R32 000	R30 000
<b>Social pensions increased :</b>	R1 080 a month	R1 010 a month
<b>Monthly child support :</b>	R250 a month	R240 a month
<b>Foster Care Grant :</b>	R710 a month	R680 a month

## PERSONAL INCOME TAX RATE AND BRACKET ADJUSTMENTS

THIS YEAR (2010/2011)	
TAXABLE INCOME (in Rands)	RATES OF TAX
0 – 140 000	18% of taxable income
140 001 – 221 000	R 25 200 + 25% of the amount above R140 000
221 001 – 305 000	R 45 450 + 30% of the amount above R221 000
305 001 – 431 000	R 70 650 + 35% of the amount above R305 000
431 001 – 552 000	R 114 750 + 38% of the amount above R431 000
552 001 and above	R 160 730 + 40% of the amount above R552 000

## INCOME TAX PAYABLE 2010 / 11 (TAXPAYERS YOUNGER THAN 65)

Taxable Income	2009/2010	2010/2011	2010/2011 Saving per Annum
57 000	504	-	-
60 000	1 044	540	540
65 000	1 944	1 440	540
70 000	2 844	2 340	540
75 000	3 744	3 240	540
80 000	4 644	4 140	540
85 000	5 544	5 040	540
90 000	6 444	5 940	540
100 000	8 244	7 740	540
120 000	11 844	11 340	540
150 000	18 504	17 440	1 064
200 000	31 004	29 940	1 064
250 000	45 504	43 890	1 614
300 000	61 004	58 890	2 114
400 000	96 004	93 640	2 364
500 000	133 704	130 710	2 994
750 000	233 204	229 670	3 534
1 000 000	333 204	329 670	3 534

## INCOME TAX PAYABLE 2010 /11

### (TAXPAYERS OLDER THAN 65)

Taxable Income	2009/2010	2010/2011	2010/2011 Saving per Annum
85 000	144		144
90 000	1 044	265	779
100 000	2 844	2 065	779
120 000	6 444	5 665	779
150 000	13 104	11 765	1 339
200 000	25 604	24 265	1 339
250 000	40 104	38 215	1 889
300 000	55 604	53 215	2 389
400 000	90 604	87 965	2 639
500 000	128 304	125 035	3 269
750 000	227 804	223 995	3 809
1 000 000	327 804	323 995	3 809

### SOME OTHER USEFUL INFORMATION

#### Skills Development Levy and Unemployment Insurance Fund:

- 1% of Payroll as from 1 April 2001 (no change for 2010 / 2011)
- Employers whose remuneration paid to employees is less than R500 000 per annum are exempt from paying SDL as from 1 August 2005 (no change for 2010 / 2011).
- Unemployment Insurance Fund (UIF) 1% Employee and 1% Employer up to the maximum earnings ceiling of R149 736.00 per month

#### Retirement Annuity Fund Contributions:

- The deductible amount is the greater of:
  - 15% of non-pensionable net income (including investment income);
  - R3 500 less pension fund contributions;
  - R1 750.
- Arrear Retirement Annuity Fund Contribution :
  - maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

#### Pension Fund Contributions:

- The greater of:
  - 7,5% of pensionable earnings may be deducted;
  - R1 750
- Arrear Pension Fund Contribution :
  - maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

#### Donations to universities, technikons, schools and approved organisations:

- 10% of taxable income before deducting medical expenses

#### Medical & 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 R670 for each of the first two dependants on their medical scheme and R410 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.

#### Allowances

- Subsistence allowance 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 paid or granted to pay for
  - meals and incidental costs, and amount of R276 per day is deemed to have been expended;
  - Incidental costs only, an amount of R85.00 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, a specific amount per country is deemed (see SARS table)

#### Estate Duty and Donations Tax:

- On or after 14 March 1996 25%
- On or after 1 October 2001 20%

**Tax on Retirement Funds:**

- 0% effective March 2007

**Corporate tax rates:**

- Rates of normal company tax are as follows :

Type of Company / Organisation	2010 / 2011 Percentage
Companies and Closed Corporations	28
Employment Companies (Personal Service Providers)	33
Branch profits tax (foreign resident companies)	33
Small businesses :	
First R57 000 of taxable income	0
R57 001 to 300 000 of taxable income	10
R300 001 and above of taxable income	R24 300 + 28% of the amount above R300 000

**Capital Gains Tax:**

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

Maximum effective rate of tax :	2010 / 2011 Percentage
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 (R2 million or less)
- most personal use assets
- retirement benefits
- payments in respect of original long-term insurance policies
- annual exclusion of **R17 500** 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

**Residence – based taxation (no change this year):**

- The residence-based system of taxation applies with effect from years of assessment commencing on or after 1 January 2001.

**Value-Added Tax (no change this year):**

- Standard rate on or after 7 April 1993 (no change this year) 14%

**Official Rates:**

The Minister of Finance set the deemed interest rate for purposes of calculating the taxable value of various loans as follows:	
1 December 1998	19%
1 May 1999	16%
1 September 1999	14.5%
1 March 2000	13%
1 October 2001	10.5%
1 September 2002	13.5%
1 March 2003	14.5%
1 December 2003	9.5%
1 September 2004	8.5%
1 September 2006	9.0%
1 March 2008	12%
1 September 2008	13%
1 September 2009	8%

**Travelling Allowance:**

- Rates per kilometer which may be used in determining the allowable deduction for business travel, where no records of actual cost 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 traveled for private use and the balance, but not exceeding 14 000 kilometres, is travelled for business purposes.

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 kilometer 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.

**80% of the travelling allowance** must be included in the employee's remuneration for the purposes of calculating PAYE.

#### 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

#### Transfer Duty:

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

- Acquisitions 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

- Acquisitions of property by persons other than natural person :

8% of the value

#### Useful Tax Calendar:

When various payments are due:	
STC	last day of the month following the month in which the dividend cycle ends.
VAT	25th day after end of the tax period (last working day if you are an e-Filer)
PAYE	7th day of each following month
SDL	7th day of each following month

If any of the above dates fall on a weekend or a public holiday, payment must be made on the immediately preceding working day.

