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Quick Tax Guide 2012/13

Simplicity from complexity

Income Tax for Individuals

Tax rates and rebates

Individuals, Estates & Special Trusts (1) (Year ending 28 February 2013)		
Taxable income as exceeds	But does not exceed	Tax payable
R 0 R 160 000 R 250 000 R 346 000 R 484 000 R 617 000 and above	R 160 000 R 250 000 R 346 000 R 484 000 R 617 000	18% R 28 800 + 25% R 51 300 + 30% R 80 100 + 35% R 128 400 + 38% R 178 940 + 40%
Other Trusts		
Tax Rate: 40%		

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

Primary Rebate Age Rebate:*	All individuals	R 11 440
Secondary Rebate Tertiary Rebate * Additional to primary rebate.	65 years and older 75 years and older	R 6 390 R 2 130
Tax Threshold	Below age 65 Age 65 and older Age 75 and older	R 63 556 R 99 056 R 110 889

Exemptions

Local interest:

- Individuals under 65 years of age — R 22 800 per annum
- Individuals over 65 years of age — R 33 000 per annum

Note:
Interest earned by a non-resident is exempt unless the non-resident was physically present in Souith Africa (SA) for more than 183 days during the tax year, or at any time during that year carried on business through a permanent establishment (PE) in SA.

Deductions

Medical expenses:

- Over 65 years of age: Unlimited i.e. all qualifying medical expenses. (Medical schemes fees tax credit system will apply for 2014).
- Under 65 years of age: Monthly credit amounts set at R230 each for the taxpayer and his/her spouse (or first dependant), and further R154 for every additional dependant. Balance of contributions exceeding four times monthly tax credit plus all qualifying out-of-pocket medical expenses exceeding 7.5% of taxable income (before medical deductions and excluding retirement lump sums benefits) as a deduction.
- Under 65 years of age and with a disability (taxpayer, spouse or child): So much of their medical aid contributions as exceeds four times the amount of the tax credit and all qualifying medical aid out-of-pocket expenses.

Pension fund contributions:

- Current contributions: Limited to the greater of:
  (a) R1 750; or
  (b) 7.5% of remuneration from retirement funding employment.
- Arrear contributions: R1 800 per annum.

Retirement annuity fund (RAF) contributions:

- Current contributions: Limited to the greatest 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.

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). These organisations include most welfare, health care, education and development, land and housing, and conservation, environmental and animal welfare organisations, with certain exceptions.

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 (e.g. residential accommodation).

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 ("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 ("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. Additional tax will be levied if the estimate does not meet the required percentage of actual taxable income.

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).

Where the value of the vehicle (including VAT)(R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 60 000	19 492	73.1	25.7
60 001 - 120 000	38 726	77.6	29.0
120 001 - 180 000	52 594	81.5	32.3
180 001 - 240 000	66 440	89.6	36.9
240 001 - 300 000	79 185	102.7	45.2
300 001 - 360 000	91 873	117.1	53.7
360 001 - 420 000	105 809	119.3	65.2
420 001 - 480 000	119 683	133.6	68.3
Exceeds 480 000	119 683	133.6	68.3

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 316 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.
3. The logbook method to claim business travelling expenses is compulsory.
4. If actual costs are used wear-and-tear must be calculated over a seven year period and cost is limited to R480 000 and interest on borrowings to acquire the car is limited to borrowings of the same amount.

Company car fringe benefit

Taxable value per month = 3.5% of determined value (cash cost including VAT). (If subject of 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 deduction available). On assessment, there will be a reduction in the fringe benefit for business use, where an employee can furnish accurate records of distanced travelled for business purposes and total distance travelled. The employee will also be entitled to a reduction in the taxable fringe benefit where he or 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 montly 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 whilst on business if they do not exceed the following amounts:

- Varying amounts per day for meals and incidental costs for travel outside the Republic depending on the country(ies) visited.
- R303 per day for meals and incidental costs for travel within the Republic.
- R93 per day for incidental costs only within the Republic.

Retirement Fund Lump Sum Benefits

Lump sum awards from retirement funds following retirement or retrenchment are taxed according to following table:

Taxable income from lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R315 000	0%
R315 000	R630 000	R0 + 18%
R630 000	R945 000	R56 700 + 27%
R945 000		R141 750 + 36%

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 benifit (after 1 March 2011).

Retirement Fund Lump Sum Widrawal 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 lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R22 500	0%
R22 500	R600 000	R0 + 18%
R600 000	R900 000	R103 950 + 27%
R900 000		R184 950 + 36%

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

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.

The benefit is taxable in accordance with the following table:

Taxable income from lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R315 000	0%
R315 000	R630 000	R0 + 18%
R630 000	R945 000	R56 700 + 27%
R945 000		R141 750 + 36%

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).

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.

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.

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	R2 million gain/loss on the disposal of a primary residence
• Small business assets* (when a person is over age 55)	R1.8 million.

*Market value not exceeding R10 million.

Transfer Duty

Paid on acquisition of immovable property where the transaction is not subject to Value-Added Tax. Transfer duty is payable on the acquisition of residential property through an interest in a company, close corporation or trust.

Acquisition of property by all persons:

First R600 000 consideration	0%
R600 001 to R1 000 000	3% of the amount above R600 000
R1 000 000 to R1 500 000	R12 000 + 5% of the amount above R1 000 000
R1 500 000 and above	R37 000 + 8% of the amount above R1 500 000

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.

Withholding Taxes (WHTs)

Dividends tax

Dividends tax (DT) will replace Secondary Tax on Companies (STC) on 1 April 2012. Tax will 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. Loans to 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%
Sportsmen and entertainers who perform in South Africa	15%
Fixed property acquired in South Africa 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.
* It is proposed to increase this rate to 15%.
** This will become effective on 1 January 2013.

Securities Transfer Tax (STT)

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

Corporate Tax Rates

- Basic rate (other than entities sepcified below) 28%
- Small business corporations (financial years ending on any date between 1 April 2012 and 31 March 2013):

Taxable Income	Rate of tax
R0 – R63 556	0%
R63 557 - R350 000	7%
R350 001 +	20 051 + 28%

- An elective presumptive turnover tax applies for micro-businesses. The rates (for financial years ending on any date between 1 April 2012 and 31 March 2013) are:

Turnover	Tax Liability
0 - R150 000	0%
R150 000 - R300 000	1% of each R1 above R150 000
R300 000 - R500 000	R1 500 + 2% of the amount above R300 000
R500 000 - R750 000	R5 500 + 4% of the amount above R500 000
R750 000 and above	R15 500 + 6% of the amount above R750 000

Note: With effect from 1 March 2012, qualifying micro-businesses (within the R1 million turnover limit) will be able to pay turnover tax, VAT and employees' tax twice a year.

• Personal service provider	28%
• Long-term insurers	
Individual policyholder fund	30%
Company policyholder fund	28%
Corporate fund	28%
Untaxed policyholder fund	0%
• Gold mining companies	
On gold mining income	43 - (215/x)*
* Where "x" is the ratio of taxable income from gold mining to income from gold mining, expressed as a percentage.	
On other income	35%
• 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.	

Skills Development Levy (SDL)

Remuneration payable	1%

Note:
Employers with annual payroll of less than R500 000 are exempt as well as certain approved PBOs.

Unemployment Insurance Fund (UIF) Contributions

Unemployment Insurance 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. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Selected Capital Allowances for businesses

Buildings

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

Intellectual property (see 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:

• Discovering of novel, practical and non-obvious information of scientific or technical nature or devising, developing or creating any invention, patent, design, copyright (excluding trademarks)	150%
• Buildings, plant, machinery, implements or articles used for R&D purposes	50%/30%/20%

Note:
The R&D must be approved by the Minister of Science and Technology and be carried on by the taxpayer concerned. Overheads would not qualify for a deduction and to the extent that government grants are received to fund R&D the expenditure so incurred, does not qualify for the additional 50% allowance. Restrictions have been placed on sub-contracting R&D to other parties.

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	100%
- Other	35%
- Other in IDZ	75%
• Renewable energy technology equipment	50%/30%/20%
• Small businesses 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 47 (Issue 2). 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

These may be subject to allowances at different rates.

Contacts

For more information contact your nearest Deloitte tax office:

Services Line Leader: Nazrien Kader, +27 (0)11 209 6030, nkader@deloitte.co.za
Johannesburg: Trevor Rogers, +27 (0)11 806 5319, trrogers@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: facebook.com/DeloitteSA l Twitter. twitter.com/DeloitteSA
Deloitte SA blog: blog.Deloitte.co.za l Website: Deloitte.com/za

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