Grant Thornton

An instinct for growth™

Tax data card

2017/2018

Contents

Red text denotes changes as at 22 February 2017.

Individuals and trusts

1 March 2017 – 28 February 2018

Individual tax rates

Taxable income (R)	(R + %)	Rate of tax (R)
0 – 189 880	18%	of taxable income
189 881 – 296 540	34 178 + 26%	of taxable income above 189 880
296 541 – 410 460	61 910 + 31%	of taxable income above 296 540
410 461 – 555 600	97 225 + 36%	of taxable income above 410 460
555 601 – 708 310	149 475 + 39%	of taxable income above 555 600
708 311 - 1 500 000	209 032 + 41%	of taxable income above 708 310
1 500 001 and above	533 625 + 45%	of taxable income above 1 500 000

Trusts other than special trusts

45% of each R1

Tax rebates and deductions

Rebates		2018 (R)	2017 (R)
• Primary rebate – Individuals (excl. trusts)		13 635	13 500
• Additional rebate – Persons over 65		7 479	7 407
• Tertiary – Persons over 75		2 493	2 466
Deductions and credits			
• Medical expenses/credits			
Under 65	(i)		
Over 65 & disabled persons	(i)		
• In respect of foreign dividends	(ii)		
Exemptions			
• In respect of taxable interest			
Under 65		23 800	23 800
Over 65		34 500	34 500
• In respect of foreign dividends	(iii)		
Tax threshold			
Under 65		75 750	75 000
Over 65 - 74		117 300	116 150
75 and over		131 150	129 850

Tax rebates and deductions continued...

Notes:

i) Contributions made to a medical aid by an employer on behalf of an employee represent a taxable fringe benefit. The medical deductions and credits allowed on assessment are as follows:

Taxpayers below the age of 65

Members of a medical aid will be granted a fixed monthly "tax credit" of:

- R303 (2017: R 286) each for the taxpayer and his/her first dependant; and
- R204 (2017: R 192) for each additional dependant.

To the extent that the sum of qualifying medical expenses and medical aid contributions paid by an employee, and/or his employer on his behalf that are in excess of four times the fixed credit amount above, exceeds 7,5% of his taxable income, an additional credit arises. This additional credit is calculated by multiplying the excess by 25%. The credits will be deducted from the taxpayer's liability for tax but cannot create a tax refund.

Taxpayers 65 and older or taxpayers with a disabled dependent

Members of a medical aid will also be entitled to the fixed monthly credit as above. Contibutions to a medical aid in excess of three times the fixed credit amount, together with all qualifying medical expenses, will be converted to an additional credit at the rate of 33,3%.

PAYE

Where an employer effects payment of the medical scheme fees, the fixed (and not the additional) tax credits must be taken into account by the employer in the calculation of PAYE. However, where such payment is not effected by the employer, it must obtain proof of such payments in order to take the credits into account for PAYE purposes.

ii) From 1 March 2016 an employer's share of contributions to pension, provident and retirement annuity funds will be taxed as a fringe benefit in the hands of the employees. The value of the benefit is to be calculated with reference to a formula which takes into account the employee's income and the employer's contributions.

An employee's total contribution to all retirement funds will be limited to 27.5% of remuneration or taxable income (excluding lump-sums received), whichever is greater but capped at an annual limit of R 350 000.

Employers will not be limited in respect of contributions made to these funds on the employee's behalf (previously limited to 20% of the employee's remuneration).

Fund-to-fund transfers have no tax consequences but no transfers from pension to provident funds will be permitted before 1 March 2018.

Furthermore provident fund members must from 1 March 2018, use two-thirds of their fund benefit to purchase an annuity at retirement.

iii) A portion of foreign dividends is exempt in accordance with a formula that is dependent on whether or not the recipient is a natural person, deceased/ insolvent estate or special trust.

Schedule of values for travelling allowances

Taxpayers must maintain a record reflecting details of business and total kilometres travelled in order to substantiate any deduction against a travel allowance.

Value of the vehicle (incl. VAT) (R)	Fixed Cost (R)	Fuel Cost (c)	Maintenance Cost (c)
0 – 85 000	28 492	91.2	32.9
85 001 – 170 000	50 924	101.8	41.2
170 001 – 255 000	73 427	110.6	45.4
255 001 – 340 000	93 267	118.9	49.6
340 001 – 425 000	113 179	127.2	58.2
425 001 – 510 000	134 035	146.0	68.4
510 001 – 595 000	154 879	150.9	84.9
Exceeding 595 000	154 879	150.9	84.9

Notes:
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.

80% of the travel allowance is subject to PAYE, unless the employer is satisfied that at least 80% of the use of the motor vehicle will be for business purposes in which case the percentage is reduced to 20%.

Alternatively:
- Where the distance travelled for business purposes does not exceed 12 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 355 cents (2017: 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 is received from the employer in respect of the vehicle.

Fringe benefits tax - company cars

Scale of taxable benefits – employer-owned vehicles

Company cars will be subject to tax based on a fringe benefit of 3.5% of the determined value of the vehicle per month (3,25% if the car is subject to a qualifying maintenance plan at the time the vehicle was acquired by the employer). The determined value is normally the cash cost of the vehicle including VAT.

There is a reduction in the fringe benefit on assessment for business use, provided accurate records of the business mileage have been maintained. The reduction is calculated by applying the ratio of business kilometres to total kilometres for the year, to the fringe benefit. The fringe benefit may be reduced depending on the running costs the employee bears.

The employer must deduct PAYE on 80% of the fringe benefit unless he is satisfied that at least 80% of the employee's travel is for business purposes, in which case the PAYE deduction is based on 20% of the benefit.

Companies

Normal tax

Type of income	Rate of tax
Ordinary companies	28%
Gold mining Rate is determined according to a formula	
Small business corporation*	
• R0 – R75 750	0%
• R75 751 – R365 000	7% above R75 750
• R365 001 – R550 000	R20 248 + 21% above R365 000
• R550 001 and above	R59 098 + 28% above R550 000
Personal service provider company	28%
Foreign resident companies which trade in South Africa through a branch/agency	28%

* Applies for years of assessment ending on or after 1 April 2012. A company qualifies as a small business corporation if it meets the requirements of Section 12E(4)(a) of the Income Tax Act.

Turnover tax for micro businesses*

A simplified turnover-based presumptive tax system applies to micro businesses with a turnover of up to R1 million per year.

Turnover (R)	Tax liability
0 – 335 000	0%
335 001 – 500 000	1% of each rand R1 above R335 000
500 001 – 750 000	R1 650 + 2% of the amount above R500 000
750 001 and above	R6 650 + 3% of the amount above R750 000

* Applies for years of assessment ending on or after 1 April 2012.

Real estate investment trust (REIT) structures

A qualifying company can adopt the South African REIT structure for its first year of assessment commencing on or after 1 April 2013.

Qualifying companies include existing property loan stock ("PLS") and property unit trust ("PUT") structures that are listed on the JSE and that meet certain required JSE criteria.

Distributions of dividends and interest that are made by a REIT are tax deductible but limited to its taxable income before any capital gain and assessed loss brought forward. All distributions from a REIT, including dividends, are taxable in the hands of the recipients.

Capital allowances – straight line basis

	Rate of tax (%)
Factory plant	
Brought into use on or after 1 March 2002 - new or unused	
• First year	40
• Years 2 to 4	20 pa
Other	20 pa
Factory buildings	
Erected after 30 Sept 1999	5 pa
Urban development zones	
New commercial and residential buildings	
• First year	20
• Thereafter	8 pa
Refurbishment of commercial and residential buildings	20 pa
Research and development	
• New and unused plant and machinery	50, 30, 20
• Buildings used wholly/mainly for R&D	5 pa
Small business corporations (i)	
Manufacturing plant	100
Other assets	50, 30, 20
Computers	
Computers (mainframe)	20 pa
Computers (personal computers)	$33^{1/3}$ pa
Computers software (mainframes)	
• Purchased	$33^{1/3}$ pa
• Self developed	100
Computers software (personal computers)	50 pa
Vehicles	
Delivery vehicles	25 pa
Passenger vehicles	20 pa
Trucks (heavy duty)	$33^{1/3}$ pa
Trucks (other)	25 pa
Other	
Furniture & fittings	$16^{2/3}$ pa
Telephone equipment	20 pa
Photocopying equipment	20 pa
Generators	
• Portable	20 pa
• Standby	$6^{1/6}$ pa
Commercial buildings	
Commercial buildings (newly constructed and upgraded)	5 pa
Water pipelines	
Water pipelines for electrical power generation	5 pa

Note:
(i) Small business corporations are eligible for the general depreciation regime available to other taxpayers if desired.

Capital gains tax

Tax base

- Residents - disposal of assets worldwide (sale, death, emigration and donations).
- Non-residents - disposal of business assets of a permanent. establishment in South Africa, fixed property and certain shares in companies owning fixed properties.
- Gains/losses made on the sale of qualifying shares held longer than 3 years treated as capital gains or losses.

Deductions and exemptions

- Value of assets at 1 October 2001 or cost of assets acquired thereafter.
- On a primary residence - R2 million (2017: R2 million) of the gain/loss on the disposal of a primary residence.
- For a natural person: annual exclusion of R40 000 (2017: R40 000) – in the year of death: R300 000 (2017: R300 000).
- For special trusts: annual exclusion of R40 000 (2017: R40 000).
- Small business (market value of less than R10 million) exclusion for individuals aged 55 years and older: R1,8 million (2017: R1,8 million).

Exclusions

- Personal-use assets.
- Domestic insurance and endowment policy pay-outs - to original beneficial owner or dependant only.
- Compensation for injury, illness or defamation.
- Retirement benefits.

Roll-over relief

- Involuntary disposal of business assets through expropriation, loss, destruction or damages with reinvestment in similar business capital assets.
- Transfers between spouses.
- Certain group reorganisation and asset-for-share exchanges.

Effective capital gains tax rates

Taxpayer	Maximum effective rate (%)	
	2018	2017
Individuals and special trusts	18	16.4
Other trusts	36	32.8
Companies		
• Ordinary	22.4	22.4
• Branch of foreign company	22.4	22.4
• Personal service provider company	22.4	22.4

Tax Administration Act penalties

With effect from the introduction of the Tax Administration Act on 1 October 2012, the following penalties may be imposed.

Understatement penalties*

Behaviour	Standard case	If obstructive /repeat case	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position taken	50%	75%	25%	0%
Impermissable avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

* Includes a default in submitting a return as well as an omission or an incorrect statement in the submission thereof.

Non-compliance penalties

Assessed loss or taxable income for proceeding year	Penalty
Assessed loss	R250 pm
R0 – R250 000	R250 pm
R250 001 – R500 000	R500 pm
R500 001 – R1 000 000	R1 000 pm
R1 000 001 – R5 000 000	R2 000 pm
R5 000 001 – R10 000 000	R4 000 pm
R10 000 001 – R50 000 000	R8 000 pm
Above R50 000 000	R16 000 pm

Value-added tax

Standard rate of 14% since 7 April 1993

Registration threshold

	Total value of taxable supplies for any 12 month period
Compulsory	R1 million
Voluntary	R50 000

Frequency of returns

Months	Total value of taxable supplies for any 12 month period
Bi-monthly	Up to R29 999 999
Monthly	From R30 million
6 monthly	Up to R1.5 million (only for farming & micro businesses).
Annually	Only for inter-group letting or administration companies or trust funds.

Other taxes, duties and levies

Securities Transfer Tax (STT)

Payable at a rate of 0.25% on the transfer of shares in companies incorporated in South Africa (listed and unlisted) and foreign companies listed on the Johannesburg Stock Exchange. STT is also payable on the transfer of a member's interest in a close corporation. The blanket exemption for brokers has been abolished. Where beneficial ownership rests with the broker, share transfers are now taxed at an appropriate lower rate.

Skills Development Levy (SDL)

Payable at 1% of payroll (employers paying annual remuneration of less than R500 000 are exempt from SDL).

Unemployment Insurance Fund (UIF)

Rate of contribution is 1% by the employer and 1% by the employee, based on remuneration below a certain amount.

Withholding tax on royalties

Royalty payments to non-residents are subject to a final with-holding tax of 15%. The rate may be reduced by an applicable Double Tax Agreement.

Withholding tax on interest

A withholding tax, at the rate of 15%, on interest paid to non-residents must be made in respect of all payments that became due and payable after 1 March 2015. The rate may be reduced by an applicable Double Tax Agreement.

Withholding tax on dividends

Dividends tax must be withheld at the rate of 20% from 22/02/2017 (15% prior to this date) on dividends that are paid or become payable except where the recipient is:

- A local company (no withholding tax).
- Certain foreign shareholders (may be a reduced rate depending on the Double Taxation Agreement).
- Certain exempt institutions.

Estate duty (rate - 20%)

Tax base

- All property at date of death.
- Non-resident - property in South Africa.

Deductions

- Liabilities at date of death (including CGT due on death).
- Bequests to charitable, educational and religious institutions within South Africa.
- Property accruing (including bequests) to a surviving spouse.

Abatement

- Estate duty abatement R3,5 million. The unutilised portion can be carried over to the surviving spouse with a combined limit of R7 million.

Donations tax (rate - 20%)

On whom levied

- Donations made by South African resident individuals and companies.

Main exemptions

- Donations between spouses.
- Donations to approved scientific, cultural, educational or religious institutions.
- First R100 000 per year of assessment (natural persons only) - a husband and wife are each entitled to this exemption.
- Bona fide maintenance payments.
- Casual gifts by a donor other than a natural person - maximum R10 000 per tax year.

Transfer duty

Transfer duty is payable at the following rates on transactions which are not subject to VAT:

Property value	Rates of tax
R0 - R900 000	0%
R900 001 - R1 250 000	3% on the value above R900 000
R1 250 001 - R1 750 000	R10 500 + 6% on the value above R1 250 000
R1 750 001 - R2 250 000	R40 500 + 8% of the value above R1 750 000
R2 250 001 - R10 000 000	R80 500 + 11% of the value above R2 250 000
R10 000 001 and above	R933 000 + 13% of the value above R10 000 000

Exchange control

Individuals

Individuals are entitled to an annual allowance of R11 million which does not require exchange control approval. The South African Reserve Bank will consider applications in excess of R11 million subject to conditions.

Corporates

No approval from the Financial Surveillance Department is required for companies wanting to invest R1 billion or less (per year per application). However, authorised dealers will be required to ascertain if the company meets certain criteria. An important criteria in this regard is that the company must own at least 10% of the foreign company.

Interest rates

Effective date	A %	B %	C %	D %
18/07/14	"	"	"	9.25
01/08/14	"	"	6.75	"
01/11/14	5.25	9.25	"	"
24/07/15	"	"	"	9.5
01/08/15	"	"	7	"
01/11/15	5.5	9.50	"	"
19/11/15	"	"	"	9.75
01/12/15	"	"	7.25	"
28/01/16	"	"	"	10.25
01/02/16	"	"	7.75	"
01/03/16	5.75	9.75	"	"
17/03/16	"	"	"	10.50
01/04/16	"	"	8.00	"
01/05/16	6.25	10.25	"	"
01/07/16	6.50	10.50	"	"

A Where SARS pays interest to the taxpayer on an overpayment of provisional tax.
B Interest rates charged on outstanding taxes, duties and levies and interest rates payable in respect of refunds of tax on successful appeals and certain delayed refunds.
C The official rate of interest for purposes of tax on fringe benefits is 100 bases points above the repo rate.
D Prime bank overdraft rates.

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