

Tax Guide 2017/18

Budget Overview and Tax Amendments
Guide version 20170223-1



Budget Highlights

Dividend Tax
rate increase from
15% to 20%
effective 22 Feb 2017



General fuel levy
rate increase by
30 cents per litre
effective 5 April 2017



Tax free investment
accounts
increase on annual
contributions cap from
R 30 000 to R 33 000

Transfer duty relief
value at which
property is taxed at
0% increased from
R 750k to R 900k



Individual Income Tax

introduction of a new top marginal tax bracket at a rate of 45% on taxable income in terms of personal income tax above R 1 500 000 per tax period

Health promotion levy on sugary beverages
introduction of levy at 2.1 cents per gram of sugar content above
4 grams per 100 millilitres
effective as soon as legislative amendments promulgated during 2017



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Your Business Our Priority

In an ever-changing business world, Synédrio offers a comprehensive array of quality cost sensitive solutions which are synergistic to our client's operations in an advisory, consulting and assurance role.

Our tailored solutions are directed, not merely at satiating unique client needs; but more so at building a sustainable trust relationship through making a client's business our priority. Furthermore, we are dedicated to contribute to the future growth of the South African economic landscape through skills development and other identified initiatives.



Income Tax: Individuals and Trusts

Individuals and Special Trusts

Tax rates for the period from 1 March 2017 to 28 February 2018

Taxable Income (Rand)	Rate of Tax (Rand)
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

Tax rates for the period from 1 March 2016 to 28 February 2017

Taxable Income (Rand)	Rate of Tax (Rand)
0 – 188 000	18% of taxable income
188 001 – 293 600	33 840 + 26% of taxable income above 188 000
293 601 – 406 400	61 296 + 31% of taxable income above 293 600
406 401 – 550 100	96 264 + 36% of taxable income above 406 400
550 101 – 701 300	147 996 + 39% of taxable income above 550 100
701 301 and above	206 964 + 41% of taxable income above 701 300

Trusts other than Special Trusts

Tax rates for the period from 1 March 2017 to 28 February 2018

Trusts other than special trusts are taxed at a rate of 45% Tax on Taxable Income.

Tax rates for the period from 1 March 2016 to 28 February 2017

Trusts other than special trusts are taxed at a rate of 41% Tax on Taxable Income.

Rebates

Classification	Rebate applicable 1 March 2017 – 28 February 2018	Rebate applicable 1 March 2016 – 28 February 2017
Primary	R 13 635	R 13 500
Secondary (person 65 and older)	R 7 479	R 7 407
Tertiary (person 75 and older)	R 2 493	R 2 466

Tax Thresholds

Classification	Threshold applicable 1 March 2017 – 28 February 2018	Threshold applicable 1 March 2016 – 28 February 2017
Below age 65	R 75 750	R 75 000
Age 65 below age 75	R 117 300	R 116 150
Age 75 and older	R 131 150	R 129 850



Interest Exemptions

The interest exemptions relates to interest earned from a South African source by a natural person per annum.

Classification	Exemption applicable natural persons 1 March 2017 – 28 February 2018	Exemption applicable natural persons 1 March 2016 – 28 February 2017
Below age 65	R 23 800	R 23 800
Age 65 and older	R 34 500	R 34 500

Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 181 days during the 12 month period prior to the interest accrual date and the debt from which the interest arises is not effectively connected to a fixed place of business in South Africa.

Tax free investment accounts

As of 1 March 2015 South Africans can invest in tax free investments - an initiative of National Treasury to encourage people to save. Various investment accounts are available in the market.

- ☐ The returns or growth you earn on your investments are completely tax free.
- ☐ Tax free investments give you flexibility, as you don't have to commit to any future contributions. You can contribute a lump sum or regular amounts.
- ☐ You can invest up to R 30 000 in one tax year and R 500 000 in total over your lifetime.
- ☐ You have flexible access to your investment and there are no exit penalties.
- ☐ Tax free investments only apply to new investments.

The annual investment amount has been increased to R 33 000 effective 1 March 2017.

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. An individual is exempt from the payment of provisional tax if he or she does not carry on any business and his or her taxable income –

- ☐ will not exceed the tax threshold for the tax year; or
- ☐ from interest, dividends, foreign dividends and rental from the letting of fixed property will be R30 000 or less for the tax year.

Provisional tax returns, showing an estimation of total taxable income for the tax year, are required from provisional taxpayers. Deceased estates are not classified as provisional taxpayers.

Local Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but Dividend Tax **at a rate of 20%** (prior to 22 February 2017 at a rate of 15%) is withheld by the entities paying the dividends to the individuals. Consult the Income Tax Act to determine whether the dividends received are in fact exempt.

Dividends received by South African resident individuals from real estate investment trusts are subject to income tax non-residents in receipt of those dividends are only subject to Dividends Tax.

Foreign Dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Deduction: Retirement Fund Contributions

Amounts contributed to pension, provident and retirement annuity funds during a tax year are deductible by members of those funds. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employee.

The deduction is limited to 27.5% of the greater of –

- ☐ remuneration for PAYE purposes (excluding retirement fund lump sums and severance benefits); or
- ☐ taxable income excluding retirement fund lump sums and severance benefits.

The deduction is limited to a maximum of R350 000.

Any contributions exceeding the limitations are carried forward to the next tax year and are deemed to be contributed in that following tax year for deduction purposes. The amounts carried forward are reduced by contributions set-off when determining taxable retirement fund lump sums or retirement annuities.

Deduction: Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

Deduction: Medical and Disability Expenses

This deduction relates to monthly contributions paid to medical schemes during the tax year. Note that the rebate is deductible in the hands of the individual who paid the contributions to the medical scheme only.

Classification	Monthly rebate applicable 1 March 2017 – 28 February 2018	Monthly rebate applicable 1 March 2016 – 28 February 2017
Person paying contributions	R 303 per month	R 286 per month
First dependent	R 303 per month	R 286 per month
Additional dependents	R 204 per month per dependent	R 192 per month per dependent

Qualifying expenses in relation to individuals can be deducted, when determining tax payable –

- ☐ if the tax payer is an individual who is 65 and older, or if the taxpayer is an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed three times the medical scheme fees tax credits for the tax year; or
- ☐ any other individual, 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed four times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Subsistence Allowances and Advances

This allowance and advance refers to an advance or allowance received where the recipient is obliged to spend at least one night away from his or her usual place of residence on business. The accommodation to which the allowance or advance relates is in the Republic of South Africa and the allowance or advance is granted to pay for meals and incidental costs in relation to the trip.

The deemed amount expensed per day, which represents a deduction when the taxable income is determined, is set out below.

Responsibility of tax payer to settle	Daily tax deduction 1 March 2017 – 28 February 2018	Daily tax deduction 1 March 2016 – 28 February 2017
Meals and incidental costs	R 397 per day	R 372 per day
Incidental costs only	R 122 per day	R 115 per day

Where the accommodation to which that allowance or advance relates is outside the Republic of South Africa, a specific amount per country is deemed to have been expended. Refer to the South African Revenue Service guides for the specific amounts.

Travel Allowance

When a travel allowance is received by an employee, 80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

The actual distance, personal and business purposes, travelled during a tax year and the distance travelled for business purposes are used to determine the costs which may be claimed against a travelling allowance. The distance travelled for business purposes needs to be substantiated by a logbook.

The rate per kilometre, which may be used in determining the allowable deduction (against a received allowance) for business travel, when the taxable income for an individual is determined, is determined making use of the published table. Refer to the South African Revenue Service guides for the rates.

No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is covered by a maintenance plan).

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.



Income Tax: Companies and Corporates

Companies

Tax rates for financial years ending on any date between 1 April 2017 and 31 March 2018

Type	Rate of Tax (Rand)
Companies	28% of taxable income

Tax rates for financial years ending on any date between 1 April 2016 and 31 March 2017

Type	Rate of Tax (Rand)
Companies	28% of taxable income

Small Business Corporations

Tax rates for financial years ending on any date between 1 April 2017 and 31 March 2018

Taxable Income (Rand)	Rate of Tax (Rand)
0 – 75 750	0% of taxable income
75 751 – 365 000	7% of taxable income above 75 750
365 001 – 550 000	20 248 + 21% of taxable income above 365 000
550 001 and above	59 098 + 28% of taxable income above 550 000

Tax rates for financial years ending on any date between 1 April 2016 and 31 March 2017

Taxable Income (Rand)	Rate of Tax (Rand)
0 – 75 000	0% of taxable income
75 001 – 365 000	7% of taxable income above 75 000
365 001 – 550 000	20 300 + 21% of taxable income above 365 000
550 001 and above	59 150 + 28% of taxable income above 550 000

Micro Businesses (Turnover Tax)

Tax rates for financial years ending on any date between 1 April 2017 and 31 March 2018

Taxable Income (Rand)	Rate of Tax (Rand)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Tax rates for financial years ending on any date between 1 April 2016 and 31 March 2017

Taxable Income (Rand)	Rate of Tax (Rand)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

Capital Gains Tax

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

Events that trigger a disposal include but are not limited to a sale, donation, exchange, loss, death and emigration.

Inclusion and Effective rates

Classification	Inclusion rate	Maximum effective rate
Individuals	40% of capital gain	18% effective 1 March 2017
Special Trusts	40% of capital gain	18% effective 1 March 2017
Companies	80% of capital gain	22.4% effective 1 April 2017
Other Trusts	80% of capital gain	36% effective 1 April 2017

The following are some of the specific exclusions:

- ☐ R 2 million gain or 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 R 40 000 capital gain or capital loss is granted to Individuals and Special Trusts;
- ☐ small business exclusion of capital gains for Individuals (at least 55 years of age) of R 1.8 million when a small business with a market value not exceeding R 10 million is disposed of; or
- ☐ instead of the annual exclusion, the exclusion granted to Individuals is R 300 000 for the year of death.

Dividend Tax

Dividends tax is a final tax **at a rate of 20%** (prior to 1 March 2017 at a rate of 15%) on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE.

Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.



Other Taxes, Duties and Levies

Value-Added Tax ("VAT")

VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors. A vendor making taxable supplies of more than R1 million per annum falls into a compulsory registration as a VAT vendor.

A vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT. Refer to the South African Revenue Service guides for detail in relation to these items.

Estate Duty

Estate duty is levied at a flat rate of 20% on 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.

Transfer Duty

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

Tax rates for the period from 1 March 2017 to 28 February 2018

Value of property (Rand)	Rate of Tax (Rand)
0 – 900 000	0%
900 001 – 1 250 000	3% of the value above 900 000
1 250 001 – 1 750 000	10 500 + 6% of the value above 1 250 000
1 750 001 – 2 250 000	40 500 + 8% of the value above 1 750 000
2 250 001 – 10 000 000	80 500 + 11% of the value above 2 250 000
10 000 001 and above	933 000 + 13% of the value above 10 000 000

Tax rates for the period from 1 March 2016 to 28 February 2017

Value of property (Rand)	Rate of Tax (Rand)
0 – 750 000	0%
750 001 – 1 250 000	3% of the value above 750 000
1 250 001 – 1 750 000	15 000 + 6% of the value above 1 250 000
1 750 001 – 2 250 000	45 000 + 8% of the value above 1 750 000
2 250 001 – 10 000 000	85 000 + 11% of the value above 2 250 000
10 000 001 and above	937 500 + 13% of the value above 10 000 000

Securities Transfer Tax

The tax is imposed at a rate of 0.25 of a per cent on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

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 South African group companies and donations to certain public benefit organisations are exempt from donations tax.

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% by employers and 1% by employees, based on employees' remuneration below a certain amount. Refer to the South African Revenue Service guides for this amount.

SARS Interest Rates

Specific Interest Rates effective 1 July 2016

Classification	Rate per annum
Late or underpayment of tax	10.50% per annum
Refund of overpayment of provisional tax	6.50% per annum
Refund of tax on successful appeal or where the appeal was conceded by SARS	10.50% per annum
Refund of VAT after prescribed period	10.50% per annum
Late payment of VAT	10.50% per annum
Customs and Excise	10.50% per annum

The SARS official rate of interest (in terms of interest-free or low-interest loans) is **8% per annum** (prior to 1 April 2016 7.75% per annum) with effect from 1 April 2016.



Comprehensive Solution Offering

Consulting solutions

- Internal control design.
- Fixed asset register and maintenance.
- Risk management.
- Technical research and opinions.
- Due diligence.
- Valuations.
- Management accounting services.
- JSE IFRS advisor function.
- IFRS reviews.
- Talent management and training.

Accounting solutions

- Financial management.
- Payroll administration including Employment tax administration.
- Statutory financial reporting.
- Monthly accounting services.
- Management accounts.
- Budgeting and cash flow forecasting.
- Value-Added Taxation administration.

Tax-related solutions

- Corporate taxes.
- Capital gains tax (CGT).
- Value-added tax (VAT).
- PAYE, UIF and SDL taxes and levies.
- Provisional tax.
- Individual or personal tax.
- Tax planning.
- Tax research and opinions.

Statutory solutions

- Company registrations and conversions.
- Name reservations or changes.
- Amendments to company information.
- Filing of documents with the CIPC.
- Preparation and submissions of annual returns.
- Issue of share certificates and amendments.
- Maintaining the register of directors.
- Maintaining the shareholder register.
- Deregistrations.
- CIPC disclosure documentation.
- Registration of trusts.



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Version management

This external guide was issued on 24 February 2017 as version 20170223-1 replacing all previous versions.

Purpose of the guide

The purpose of this guide is to provide information in relation to the Income Tax Amendments and Budget Highlights.

Sources

SARS Booklets and budget information – www.sars.gov.za

Various fin24.com articles

Disclaimer

The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.