

## Tax Pocket Guide

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

**INCOME TAX: INDIVIDUALS AND TRUSTS**

Tax rates (year of assessment ending 29 February 2004)

**Individuals and special trusts**

Taxable Income (R)		Rates of Tax (R)	
0 - 70 000		18%	of each R1
70 001 - 110 000	12 600 + 25%		of the amount above
110 001 - 140 000	22 600 + 30%		of the amount above
140 001 - 180 000	31 600 + 35%		of the amount above
180 001 - 255 000	45 600 + 38%		of the amount above
255 001 and above	74 100 + 40%		of the amount above

**Trusts other than special trusts**

Rate of Tax 40%

**Tax Rebates**

Rebates	R
Primary	5 400
Additional (Persons 65 and older)	3 100

**Tax Thresholds**

Age	Tax Threshold (R)
Below age 65	30 000
Age 65 and over	47 222

**Provisional Tax**

The following individuals are not required to register for provisional tax purposes -

- Individuals below the age of 65 who earn taxable non-employment income of R10 000 or less a 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.

**Foreign Dividends**

Most dividends received by individuals from foreign entities are taxable.

**Exemptions****Interest and dividends**

- Interest and dividends earned by any natural person under 65 years of age, up to R10 000 per annum, and persons 65 and older, up to R15 000 per annum, are exempt from taxation. Foreign interest and foreign dividends are only exempt up to R1 000 out of the total exemption.
- Interest is exempt where earned by non-residents who are absent from South Africa for 183 days or more per annum and who are not carrying on business in South Africa. (This exemption does not apply to residents of countries in the common monetary area.)

**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 over may claim all qualifying expenses
- Taxpayers under 65 are limited to the amount which exceeds 5% of taxable income
- Taxpayers under 65 may claim all qualifying medical expenses in excess of R500, where the taxpayer or the taxpayer's spouse, child or stepchild is a handicapped person.

**Donations**

Deductions in respect of donations to certain approved public benefit organisations are limited to the greater of 5% of taxable income or R1 000.

**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 paid or granted to pay for-

- meals and incidental costs, an amount of R173 per day is deemed to have been expended;
- incidental costs only, an amount of R53 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\$190 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 - 30 000	16 916	23.1	17.1
30 001 - 35 000	18 984	23.5	17.3
35 001 - 40 000	21 051	23.8	17.8
40 001 - 45 000	23 116	24.3	18.5
45 001 - 50 000	25 197	24.8	19.2
50 001 - 55 000	27 670	25.3	19.9
55 001 - 60 000	29 778	25.5	20.6
60 001 - 70 000	33 873	25.9	21.3
70 001 - 80 000	38 102	26.1	22.2
80 001 - 90 000	40 538	26.3	22.7
90 001 - 100 000	44 535	26.5	23.4
100 001 - 110 000	48 533	26.8	24.1
110 001 - 120 000	51 110	27.5	24.8
120 001 - 130 000	54 990	28.1	25.5
130 001 - 140 000	58 803	28.9	26.2
140 001 - 150 000	62 677	29.4	26.9

**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.

**Where the value of the vehicle exceeds R150 000:**

- The fixed cost is the sum of R62 677 plus an amount of R3 874 for every R10 000 or part thereof by which the value of the vehicle exceeds R150 000;
- The fuel cost is 29.4 cents per kilometre, and
- The maintenance cost is 26.9 cents per kilometre.

**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 153 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.

50% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE.

#### 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. a bad debt in respect of salary and premiums on certain income protection policies.

#### Fringe Benefits

##### Employer-owned vehicles

- The taxable value is 1.8% 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 1.8% 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 deemed monthly value is reduced by an amount of R120.
- If the employee bears the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres) the deemed monthly value is reduced by an amount of R85.

##### Interest-free or low-interest loans

The difference between interest charged at the official rate (14,5% from 1 March 2003) 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 formula-based benefit or 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 where it is not owned and -

- It is customary for an employer in the industry concerned to provide free or subsidised accommodation to its employees, and
- It is necessary for the particular employer to provide free or subsidised accommodation:
  - for the proper performance by the employees of their duties, or
  - as a result of the frequent movement of employees, or
  - as a result of the lack of employer-owned accommodation, and
- the benefit is provided solely for *bona fide* business purposes other than for obtaining a tax benefit.

#### INCOME TAX: COMPANIES

Type	Rate of Tax
Companies	30%
Small business corporations	
RO - R150 000	15%
R150 001 and above	30%
Employment companies	35%
Foreign resident companies which trade in South Africa through a branch or agency	35%
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)	12.5%
Tax on retirement funds	
Gross interest, net rental and foreign dividend income of retirement funds (pension, provident, retirement annuity funds and untaxed policyholder funds of long-term assurance companies)	18%

#### 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	15%
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 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 reduction of R10 000 capital gain or capital loss is granted to individuals and special trusts.

#### 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 - 140 000	0%
140 001 - 320 000	5% of the value above R140 000
320 001 and above	R9 000 + 8% of the value exceeding R320 000

- Acquisitions of property by persons other than natural persons:
  - 10% 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 R1.5 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 R30 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 -

- Debit entries
- Mortgage bonds
- Installment credit agreements
- Lease agreements of fixed property
- Marketable securities (on issue and registration of transfer)

#### Tax on International Air Travel

R110 (R100 for flights departing before 1 July 2003) per passenger departing on international flights excluding flights to SACU countries in which case the tax is R55 (R50 for flights departing before 1 July 2003).

#### Skills Development Levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees.

#### Unemployment Insurance Contributions

Unemployment Insurance Fund 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: Effective from 1 March 2003	Rate
Fringe benefits - interest-free or low-interest loan	14,5% p.a.
<b>Rate of Interest: Effective from 1 October 2002</b>	
Late payment or underpayments of tax	15.5% p.a.
Refund of overpayments of provisional tax	11.5% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	15.5% p.a.
Refund of VAT after prescribed period	15.5% p.a.
Late payments of VAT	1.3% p.m.
Customs	15.5% p.a.

#### OTHER TAX PROPOSALS

- Accelerated depreciation allowances for urban development zones
- Foreign exchange amnesty
- Limitation of scope of tax on foreign dividends
- Extension of relief for small business corporations
- Ring-fencing of losses from secondary trades
- Extension of list of public benefit organisations eligible for tax deductible donations
- Abolition of excise duties on computers