The 2012 Tax Card
Hot off the press

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Individuals and Trusts – Tax Rates

1 March 2012 to 28 February 2013

Individual Taxpayers and Special Trusts

Taxable Income (R)	Rate of Tax
R0 – 160 000	18% of each R1
R160 001 – 250 000	R28 800 + 25% of the amount above R160 000
R250 001 – 346 000	R51 300 + 30% of the amount above R250 000
R346 001 – 484 000	R80 100 + 35% of the amount above R346 000
R484 001 – 617 000	R128 400 + 38% of the amount above R484 000
R617 001 and above	R178 940 + 40% of the amount above R617 000

Tax on gambling

Following the 2011 Budget proposal on gambling, it is proposed that a national tax based on gross gambling revenue should be introduced effective from 1 April 2013, as an additional 1% levy on a uniform provincial gambling tax base. A similar base will be used to tax the national lottery.

Trusts other than special trusts

40% of each R1

Tax rebates and deductions

Rebates	2012	2011
Primary rebates – individuals	R11 440	R10 755
Secondary rebate – individuals over 65	R6 390	R6 012
Tertiary rebate – individuals over 75	R2 130	R2 000

Deductions

Medical expenses

As announced in the 2011 Budget, tax deductible medical scheme contributions, were to be converted, in relation to taxpayers below the age of 65 years, into medical tax credits. Monthly tax credits for taxpayers below the age of 65 will be increased from R216 to R230 for the first two beneficiaries and from R144 to R154 for each additional beneficiary with effect from 1 March 2012. As of the effective date, where medical scheme contributions in excess of four times the total allowable tax credit plus out-of-pocket medical expenses combined exceed 7.5% of taxable income, the excess may be deducted from taxable income.

Additional medical expenses will be converted into tax credits at a rate of 25% for taxpayers aged below 65 years with effect from 1 March 2014. From that date tax credits will apply to all taxpayers, but those who are either over 65 years of age or disabled will be able to convert all medical scheme contributions in excess of three times the total allowable tax credits plus out-of-pocket medical expenses into a tax credit of 33.3%.

Pension Fund contributions

A taxpayer’s current contributions, limited to the greater of R1 750 or 7.5% of retirement funding remuneration, are tax deductible. Any excess may not be carried forward to the following year of assessment.

Arrear pension fund contributions: a maximum of R1 800 per annum can be claimed as a deduction in subsequent years of assessment. Any excesses thereafter may be carried forward to the following years of assessment.

Retirement Annuity Fund contributions

A taxpayer's current year contributions are deductible, limited to the greater of R1 750 or R3 500 less the allowable deduction for contributions to a pension fund or, 15% of the taxpayer's taxable income (before certain deductions such as medical expenses are taken into account) excluding income from retirement funding employment.

Arrear retirement annuity fund contributions: a maximum of R1 800 per annum can be claimed as a deduction in subsequent years of assessment. Any excesses to be carried forward to the following years of assessment.

Please note: As of 1 March 2014 contributions by employees and employers to pension, provident and retirement funds will be tax deductible by individual employees. The deductions will be set at 22.5% and 27.5% (taxpayers below 45, and above 45 respectively) of the higher of employment or taxable income. Deductions for those below the age of 45 will be limited to R250 000, and those above 45, to R300 000. Non-deductible contributions will be exempt from income tax if, on retirement, they are taken as either part of the lump sum or as annuity income. Lump sum withdrawals upon retirement from pension and retirement annuity funds will be restricted to a maximum of one-third of accumulated savings.

Exemptions In respect of taxable interest	2012	2011
Under 65 years of age	R22 800	R22 800
65 years of age and over	R33 000	R33 000

A maximum of R3 700 out of the total exemption is available for foreign dividends and foreign interest.

Please note: Proposed tax-preferred savings and investment accounts are to be introduced by April 2014 as alternatives to the current tax-free interest-income caps. Returns generated within these savings and investment vehicles (interest, capital growth and dividends) and withdrawals will be tax-exempt.

Tax threshold	2012	2011
Under 65 years of age	R63 556	R59 750
65 years of age and over	R99 056	R93 150
75 years of age and above	R110 889	R104 261

Retirement Fund Lump Sum Benefits

Withdrawal Amount	Rate of Tax
R0 – R22 500	0% of taxable income
R22 501 – R600 000	18% of taxable income above R22 500
R600 001 – R900 000	R103 950 +27% of taxable income above R600 000
R900 001 and above	R184 950 +36% of taxable income above R900 000

Taxation of retirement benefit lump sums on retirement

Lump Sum Amount	Rate of Tax
R0 – R315 000	0% of taxable income
R315 001 – R630 000	18% of taxable income above R315 000
R630 001 – R945 000	R56 700 +27% of taxable income above R630 000
R945 001 and above	R141 750 +36% of taxable income above R945 000

Schedule of Values for Travelling Allowances

Rates per kilometre which may be used in determining the deduction that is allowable for business travel (where taxpayer kept no records of actual costs) is determined using the
following table:

Value of vehicle (incl VAT)	Fixed cost	Full cost	Maintenance cost
R	R (p.a.)	c/km	c/km
0 – 60 000	19 492	64.6	26.4
60 001 – 120 000	38 726	68.0	29.2
120 001 – 180 000	52 594	71.3	31.9
180 001 – 240 000	66 440	77.7	35.0
240 001 – 300 000	79 185	87.0	44.7
300 001 – 360 000	91 873	93.9	54.2
360 001 – 420 000	105 809	100.9	65.8
420 001 – 480 000	119 683	113.1	67.6
Exceeding 480 000	119 683	113.1	67.6

Note

- 80% of the travelling allowance must be included in the taxpayer'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 vehicle for the tax year will be for business purposes.
- No fuel cost may be claimed if the taxpayer has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the taxpayer has not borne the full cost of maintaining the vehicle (for example if the vehicle is the subject of 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.
- There is no longer a deemed kilometres equation, and employees will need to maintain a proper logbook recording the date of travel, the destination, the purpose of travel and the number of kilometres.

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 a taxpayer, up to the rate of 305 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 by the taxpayer from his/her employer.

Fringe Benefits Tax – Company Cars

Scale of taxable benefits – employer owned vehicles

- Taxable value is 3.5% of the determined value (usually the cash cost excluding VAT) per month.
- Where the vehicle is the subject of a maintenance plan at the time that the employer acquired the vehicle, the taxable value is 3.25% of the determined value.
- Where a second (and further) vehicle is made available to a taxpayer (employee) or his or her 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 remaining vehicles.
- 80% of the fringe benefit must be included in the taxpayer'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 vehicle for the tax year will be for business purposes.
- On assessment the fringe benefit is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of license, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the taxpayer and if the distance travelled for private purposes is substantiated by a log book.

Estate Duty

Tax base

- All "property" at date of death.
- Non-residents – immovable property situated in South Africa at date of death.

Deductions

- Liabilities at date of death (including the CGT liability on death).
- Bequests to public benefit organisations within South Africa.
- Property accruing (including bequests) to a surviving spouse.

Abatement

- Estate duty abatement R3.5 million.
- Where the entire estate is left to the surviving spouse, the abatement can be rolled over to the surviving spouse, resulting in a total abatement of R 7 million.

Rate 20%

Community of property marriage

Only half of the joint estate is brought to account.

Donations Tax

On whom levied

Donations made by South African resident individuals and companies. All donations of foreign property by a South African resident are subject to donations tax.

Donations tax is payable by Donor. If not paid by the Donor within the stipulated time period then Donor and Donee become jointly liable to pay the donations tax.

Rate 20%

Main exclusions

- Donations between spouses.
- First R100 000 per year of assessment (natural persons only).
- Donations to certain public benefit organisations.
- Casual gifts by a donor (other than a natural person) - maximum R10 000 per tax year.

Capital Gains Tax (CGT)

Tax base

- Residents – disposal of worldwide assets "*property*"(including death, immigration, and donations).
- Non-residents – immovable property and certain shares in companies owning immovable properties, disposal of the business assets of a permanent establishment in South Africa.
- Foreign taxation of income on the disposal of foreign assets may be credited against capital gains.

Deductions and exemptions

- Value of assets at 1 October 2001: time-apportionment base (TAB) cost or cost of assets acquired thereafter.
- On the sale of a primary residence the first R2 million is not subject to CGT.

Exemptions

- Natural person R30 000 per annum
- On death of natural person R300 000
- Special trusts R30 000 per annum

Exclusions

- Personal-use assets.
- Payment from domestic insurance policies: only to the original beneficial owner or his/her dependants.
- Compensation for injury, illness or defamation.
- Retirement benefits.

Small business

- If a natural person, over the age of 55 years of age, disposes a small business the first R1.8 million of the capital gain will not be subject to tax. The market value of all assets allowed within the definition of small business on disposal when the natural person is over 55 is R10 million.

Effective capital gains tax rates

Taxpayer	Maximum effective rate
Individual and special trusts	13.3%
Other trusts	26.7%
Ordinary companies	18.6%
Branch of a foreign company	18.6%
Employment company	18.6%

Transfer Duty

Rates for Transfer Duty

Property value	Rates of tax
R0 – R600 000	0%
R600 001 – R1 000 000	3% on the value of the property above R600 000
R1 000 001 – R1 500 000	R12 000 plus 5% on the value of the property above R1 000 000
R1 500 001 and above	R37 000 plus 8% of the value of the property above R1 500 000

Companies – Tax Rates

Micro Business

Turnover	Tax liability
R0 – 150 000	0%
R150 001 – 300 000	1% of each R1 above R150 000
R300 001 – 500 000	R1 500 + 3% of the amount above R300 000
R500 001 – 750 000	R7 500 + 5% of the amount above R500 000
R750 001 and above	R20 000 + 7% of the amount above R750 000

(i) Micro businesses will be given the option of paying PAYE, VAT and turnover tax at twice yearly intervals from 1 March 2012.

(ii) It is envisaged that a single combined return will be filed on a twice yearly basis from 1 March 2013.

(iii) These proposals will require micro business to ensure they retain enough income for the build-up of tax liability.

Small Business Corporation

Effective rate from 1 April 2012	Rate of tax
R0 – R63 556	0%
R63 557 – R350 000	7% of taxable income above R63 556
R350 001 and above	R24 025 + 28% of taxable income above R300 000

Effective rate of tax	2012	2011
Normal companies	28%	28%
Foreign Resident Companies which trade in South Africa through a branch/agency	28%	33%

Secondary tax on companies (STC)

On dividends declared	Rate of tax
On or after 1 October 2007 until 31 March 2012	10.0%

Notes

(i) The tax rate is applied to the net amount, being dividends declared less all dividends received during the “dividend cycle”(excluding taxable foreign dividends if applicable).

(ii) South African branches of foreign resident companies are exempt from STC.

Dividends will now be taxed in the hands of the person or institution receiving the dividend.

Withholding tax on dividends (WTC)

On dividends declared	Rate of tax
On or after 1 April 2012	15.0%

(i) Foreign companies are charged with an additional 5% (33% as opposed 28% for domestic companies charge for the lack of any secondary tax on foreign companies. This charge will be dropped as a result of the increase to 15%.
(ii) Personal service providers, who are likewise charged 33%, will also have their rate reduced to 28%.
(iii) The period for transitional credits, stemming from the pre-existing STC, has been reduced from 5 years to 3 years.

Other Taxes

Value-added tax

Standard rate from 7 April 1993: 14%
Registration threshold: If the vendor achieves or is likely to achieve a turnover of R1 million per annum (p.a.) registration is required. The zero-rating of interest earned on loans to non-residents will be eliminated.

Skills development levy and unemployment insurance contributions (SDL)

Contributions to UIF and SDL are equal to 1% of "remuneration". SDL is payable by the employer only. Both the employee and employer are liable to pay UIF. Employers paying annual remuneration less than R500 000 are exempt from paying SDL.

Withholding tax on capital gains by non-residents on immovable property

Withholding tax of 5%, 7.5% and 10%, in relation to non-resident natural persons, companies and trusts, respectively, must be withheld from the proceeds of sale of immovable property located in the Republic.

Securities transfer tax (STT)

STT is payable at a rate of 0.25% on the transfer (also cancellation or redemption in certain instances) of listed or unlisted securities. Debt instruments are exempt from STT. If securities are unlisted STT is payable by the issuer within two months of transfer.

Please note: As of 1 April 2013 the current blanket exemption granted to brokers in relation to STT will be abolished. In the event that ultimate beneficial ownership rests with the broker, STT will be imposed at an appropriate lower rate. This reduced rate will also cover the purchase of shares utilised in support of derivative hedging. The feasibility of imposing financial transactions tax on derivatives trade is also under investigation.

Proposed carbon emissions tax

A tax free emissions threshold of 60% has been proposed for various companies in the manufacturing sector. Carbon tax at R120 per ton of CO_2e above the suggested thresholds is set to take effect 2013/14 and will increase by 10% annually until 2019/20.

Fuel, electricity and Road Accident Fund levies

The general fuel and Road Accident Fund levies are set to increase by 20c/l and 8c/l, respectively, effective from 4 April 2012. The electricity levy will be increased by 1c/kWh to 3.5c/kWh.