INDIVIDUAL - TAX RATES

Year of assessment ending 29 February 2020:

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0 - 195 850</td>
<td>18%</td>
</tr>
<tr>
<td>195 851 - 305 850</td>
<td>35 253 + 26%</td>
</tr>
<tr>
<td>305 851 - 423 300</td>
<td>63 853 + 31%</td>
</tr>
<tr>
<td>423 301 - 555 600</td>
<td>100 263 + 36%</td>
</tr>
<tr>
<td>555 601 - 708 310</td>
<td>147 891 + 39%</td>
</tr>
<tr>
<td>708 311 - 1 500 000</td>
<td>207 448 + 41%</td>
</tr>
<tr>
<td>1 500 001 and above</td>
<td>532 041 + 45%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax Threshold</th>
<th>Below age 65</th>
<th>Age 65 to 74</th>
<th>Age 75 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R 79 000</td>
<td>R 122 300</td>
<td>R 136 750</td>
</tr>
</tbody>
</table>

INDIVIDUAL - REBATES

Primary | R 14 220
Secondary (persons 65 and over) | R 7 794
Tertiary (persons 75 and over) | R 2 601

Rebates are reduced proportionally where the period of assessment is less than 12 months.

INDIVIDUAL - EXEMPTIONS

Interest Income
Below age 65 | R 23 800
Age 65 and over | R 34 500

Interest received by or accrued to a non-resident is exempt from tax, unless that individual was present in South Africa for more than 183 days during the 12 month period before the interest is received or accrued, or the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

Dividend Income
South African dividends received by a taxpayer are exempt from normal tax.

Certain foreign dividends are exempt from normal tax. Taxable foreign dividends are subject to an exemption in the ratio of 25/45.

No deductions are allowed for expenditure to produce foreign dividends.
TAX FREE INVESTMENTS

Any amount received by or accrued to a natural person in respect of a tax free investment shall be exempt from normal tax.

Contributions are limited to an annual limit of R33 000 and a lifetime limit of R500 000.

MEDICAL SCHEME FEES TAX CREDIT

A natural person must deduct a credit from normal tax payable for contributions paid to a medical scheme of R310 each for the taxpayer and first dependant and R209 for each additional dependant per month.

ADDITIONAL MEDICAL EXPENSES TAX CREDIT

A natural person must deduct a credit from normal tax payable for additional medical expenses as follows:

- **Taxpayers over 65 or for persons with a disability**: 33.3% of [(fees paid to a medical scheme as exceeds three times the medical scheme fees tax credit) plus qualifying medical expenses].
- **Other taxpayers**: 25% of [(fees paid to a medical scheme as exceeds four times the medical scheme fees tax credit) plus qualifying medical expenses] as exceeds 7.5% of the person's taxable income.

INDIVIDUAL – DEDUCTIONS

Pension, Provident and Retirement Annuity Fund contributions

Total deduction limited to the lesser of:

- R350 000; or
- 27.5% of the higher of
  - remuneration excluding lump sum benefits, or
  - taxable income excluding lump sum benefits before this deduction.

Any excess contributions are carried forward to the next year.

Donations

Donations to qualifying institutions are limited to 10% of taxable income before this deduction. Any excess shall be carried forward and be deemed to be a donation paid in the next year.

PROVISIONAL TAX

Due dates for payment of provisional tax:

- **Individuals and Trusts**
  - First: 31 August
  - Second: 29 February
  - Third – taxable income > R50 000: 30 September
- **Deceased Estates**: Excluded from definition of a provisional taxpayer
- **Companies**
  - First: 6 months from beginning of financial year
  - Second: Last day of the financial year
  - Third – taxable income > R20 000: 6 months after end of financial year, or for February year end companies, 7 months after end of financial year

DONATIONS TAX

Rate of Tax

Based on cumulative donations from 01 March 2018:

- Donations up to R30 million: 20%
- Donations exceeding R30 million: 25%

The principle exemptions are:

- Casual donations by a natural person per annum: R 100 000
- Casual donations by a juristic person per annum: R 10 000
- Donations between spouses
- Donations to certain institutions
- Bona fide contribution by donor towards the maintenance of any person

SARS – INTEREST RATES

Official rate of interest:

- With effect from 1 December 2018: 7.75%

With effect from 1 March 2019, until change in the PFMA rate:

- Payable to SARS (non-deductible): 10.25%
- Payable by SARS (taxable): 6.25%

Interest payable by SARS is deemed to accrue on the date of payment.
TRAVELLING ALLOWANCE

With effect from 1 March 2019:

<table>
<thead>
<tr>
<th>Value of vehicle</th>
<th>Fixed Cost</th>
<th>Fuel Cost</th>
<th>Maintenance Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0 - 85 000</td>
<td>28 352</td>
<td>95,7</td>
<td>34,4</td>
</tr>
<tr>
<td>R 85 001 - 170 000</td>
<td>50 631</td>
<td>106,8</td>
<td>43,1</td>
</tr>
<tr>
<td>R 170 001 - 255 000</td>
<td>72 983</td>
<td>116,0</td>
<td>47,5</td>
</tr>
<tr>
<td>R 255 001 - 340 000</td>
<td>92 683</td>
<td>124,8</td>
<td>51,9</td>
</tr>
<tr>
<td>R 340 001 - 425 000</td>
<td>112 443</td>
<td>133,5</td>
<td>60,9</td>
</tr>
<tr>
<td>R 425 001 - 510 000</td>
<td>133 147</td>
<td>153,2</td>
<td>71,6</td>
</tr>
<tr>
<td>R 510 001 - 595 000</td>
<td>153 850</td>
<td>158,4</td>
<td>88,9</td>
</tr>
<tr>
<td>R 595 001 and above</td>
<td>153 850</td>
<td>158,4</td>
<td>88,9</td>
</tr>
</tbody>
</table>

A deduction for business travelling expenses may only be claimed against the allowance if a log book is maintained.

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

Actual costs may be used instead of the tables.

80% of the allowance is subject to PAYE. However, only 20% of the allowance is subject to PAYE if the employer is satisfied that at least 80% of the use of the vehicle for the year of assessment will be for business purposes.

No tax is payable on an allowance up to the rate of 361 cents per kilometre based on actual distance travelled by the employee for business purposes. This alternative is not available if any other allowance or reimbursement is received from the employer.

COMPANY CARS

Monthly taxable benefit:
- 3.5% of the determined value (incl. VAT)
- 3.25% if vehicle is subject to maintenance plan
- If acquired under operating lease, the cost incurred under the operating lease plus the cost of fuel

The value is reduced on assessment in the ratio of business travel to total travel.

Where employee bears full cost of licence or insurance or maintenance, then the value may be reduced on assessment by multiplying the cost by ratio of private travel to total travel, excluding vehicles acquired under an operating lease.

A log book must be maintained to qualify for a reduction of the value.

80% of the value is subject to PAYE. This may be reduced to 20% where at least 80% of use is for business purposes.

TRUST – TAX RATES

Year of assessment ending 29 February 2020

Rate of tax 45%
Special trusts and testamentary trusts established for the benefit of minor children will be taxed at the individual tax rates.

VALUE-ADDED TAX

Standard rate (with effect from 1 April 2018) 15%
Registration Levels – Annual income from taxable goods and services:
- ≤ R50 000 Deregistration compulsory
- ≤ R1 000 000 > R50 000 Registration voluntary
- > R1 000 000 Registration compulsory
- > R30 000 000 Monthly returns

ESTATE DUTY

Rate of tax
- value of estate up to R30 million 20%
- value of estate exceeding R30 million 25%

Principle deductions:
Basic deduction – R3 500 000 plus the unused basic deduction of the pre-deceased spouse.
All property accruing to a surviving spouse.
**CORPORATE TAX RATES**

**Normal tax**

**Companies**
Year of assessment ending on or after 1 April 2019 28%

**Small Business Corporations**
Year of assessment ending on or after 1 April 2019

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Rate of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0 - 79 000</td>
<td>0%</td>
</tr>
<tr>
<td>79 001 - 365 000</td>
<td>7%</td>
</tr>
<tr>
<td>365 001 - 550 000</td>
<td>20 020 + 21%</td>
</tr>
<tr>
<td>550 001 and above</td>
<td>58 870 + 28%</td>
</tr>
</tbody>
</table>

**Personal Service Provider Companies**
Year of assessment ending on or after 1 April 2019 28%

**South African Branches of Foreign Companies**
Year of assessment ending on or after 1 April 2019 28%

**WITHHOLDING TAXES**

**Dividends** 20%
The withholding tax is levied on any dividend paid by a company, subject to certain exemptions, including a South African company as the beneficial owner.

**Royalties** 15%
Final tax imposed on the gross amount of royalties from a South African source payable to foreign residents.

**Interest** 15%
Final tax imposed on interest from a South African source payable to non-residents, subject to certain exemptions including interest paid by a bank.

**Foreign entertainers and sportspersons** 15%

**Disposal of immovable property by a non-resident**
Non-resident individual 7.5%
Non-resident company 10%
Non-resident trust 15%

For all the withholdings taxes above there may be exemptions that apply, and in certain circumstances the tax rate may be reduced in terms of a tax treaty in place with the country of residence of the non-resident.

**Service Fees**
There is no withholding tax on service fees, but qualifying fees may fall into the provisions related to reportable arrangements.

**MICRO BUSINESSES**

Sole proprietors, partnerships and incorporated businesses may elect to be taxed on a turnover based system. Year of assessment ending on or after 1 March 2019 up until 29 February 2020:

<table>
<thead>
<tr>
<th>Taxable turnover</th>
<th>Tax liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0 - 335 000</td>
<td>0%</td>
</tr>
<tr>
<td>335 001 - 500 000</td>
<td>1%</td>
</tr>
<tr>
<td>500 001 - 750 000</td>
<td>1 650 + 2%</td>
</tr>
<tr>
<td>750 001 - 1 000 000</td>
<td>6 650 + 3%</td>
</tr>
</tbody>
</table>

**TRANSFER DUTY**

The duty is payable on transactions which are not subject to VAT.

Rates applicable to all persons:

<table>
<thead>
<tr>
<th>Property value</th>
<th>Rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>R 0 - 900 000</td>
<td>0%</td>
</tr>
<tr>
<td>900 001 - 1 250 000</td>
<td>3%</td>
</tr>
<tr>
<td>1 250 001 - 1 750 000</td>
<td>10 500 + 6%</td>
</tr>
<tr>
<td>1 750 001 - 2 250 000</td>
<td>40 500 + 8%</td>
</tr>
<tr>
<td>2 250 001 - 10 000 000</td>
<td>80 500 + 11%</td>
</tr>
<tr>
<td>10 000 001 and above</td>
<td>933 000 + 13%</td>
</tr>
</tbody>
</table>

**RESIDENCE BASIS OF TAXATION**

Residents of South Africa are taxed on their world wide income. Non-residents may be taxed on South African source income.

**Definition of Resident**

**Individuals**
- Any person who is ordinarily resident in South Africa.
- Any person who was physically present in South Africa for greater than 91 days per tax year for 6 consecutive tax years and was physically present for 915 days in aggregate during the first 5 years.

**Companies**
- Incorporated or effectively managed in South Africa, subject to exclusions.

Excluded from the definition of a resident is any person that is exclusively a resident of another country by virtue of an agreement for the avoidance of double taxation.
**CAPITAL GAINS TAX**

- Residents are subject to the tax on the disposal of their assets held worldwide, while non-residents are taxed on certain assets in South Africa.
- Gains accruing after 1 October 2001 will be subject to the tax, which will be levied on a realisation basis. Realisation occurs on disposal of an asset. Death, emigration and donation of an asset are deemed to be disposals.
- The first R40 000 a year of capital gain or loss realised by individuals will be excluded except in the year of death where such exclusion will be R300 000.
- The first R2 000 000 of capital gain or loss on the disposal of a primary residence will be excluded.
- Certain exemptions apply to personal use assets, assurance and retirement benefits, assets of a small business disposed of for retirement, compensation for personal injury, lottery receipts, foreign currency converted for personal use, diplomats and diplomatic missions, gains arising on assets donated to certain public-benefit organisations.
- Rollover relief is provided for assets in certain circumstances (e.g. certain transfers between spouses or involuntary disposals).
- Capital gains will be taxed with other income, with a portion of the net capital gain being included in taxable income, depending on the nature of the taxpayer.

The following rates apply for disposal of assets:

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Inclusion rate</th>
<th>Maximum effective rate of tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual &amp; special trust</td>
<td>40%</td>
<td>18%</td>
</tr>
<tr>
<td>Trust</td>
<td>80%</td>
<td>36%</td>
</tr>
<tr>
<td>Companies</td>
<td>80%</td>
<td>22.4%</td>
</tr>
</tbody>
</table>

**LOANS TO A TRUST**

A loan made by a natural person to a trust, subject to certain exclusions, that is interest free or bears interest at a rate that is less than the official rate of interest, may give rise to donations tax. The interest foregone will be treated as a donation made by the natural person.

Anti-avoidance provisions are in place to counter schemes whereby loans are made via companies and connected person relationships exist.

---

The information contained herein is a précis of current legislation and budget proposals, is subject to change and should not be used as a substitute for detailed professional advice.

© RSM International Association, 2019