



# BUDGET HIGHLIGHTS



## ZERO-RATED VAT ITEMS

White bread flour, cake flour and sanitary pads will be zero-based rated for VAT purposes from 1 April 2019.



## CARBON TAX

Carbon tax will be implemented on 1 June 2019. This includes a carbon tax of 9 cents per litre on petrol and 10 cents per litre on diesel.



## PERSONAL INCOME TAX

No changes were made to personal income tax brackets. Tax-free threshold increases from R78 150 to R79 000.



## EMPLOYEE TAX INCENTIVE

Eligible income bands for the employment tax incentive will be increased from 1 March 2019.

## TAX REVENUE 2019/2020

Personal Income Tax		R552.9 bn
VAT		R360.5 bn
Corporate Income Tax		R229.6 bn
Customs & Excise Duties		R106.8 bn
Other		R89.5 bn
Fuel Levies		R83.0 bn



# TAX GUIDE 2019/2020

## INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates for the period 1 March 2019 to 29 February 2020

### Individuals and special trusts

Taxable income	Rate of Tax (R)
0 - 195 850	18% of taxable income
195 851 - 305 850	35 253 + 26% of taxable income above 195 850
305 851 - 423 300	63 853 + 31% of taxable income above 305 850
424 301 - 555 600	100 263 + 36% of taxable income above 423 300
555 601 - 708 310	147 891 + 39% of taxable income above 555 600
708 311 - 1 500 000	207 448 + 41% of taxable income above 708 310
1 500 000 and above	532 041 + 45% of taxable income above 1 500 000

Rebates	
Primary	R14 220
Secondary (Persons 65 and older)	R7 794
Tertiary (Persons 75 and older)	R2 601
Age	Tax Threshold
Below age 65	R 79 000
Age 65 to below 75	R 122 300
Age 75 and older	R 136 750

### TAX CALCULATION

Taxable income: R 200 000

Taken from the tax table above, the column into which the amount falls will be:

Income exceeding	Not Exceeding	Rates of tax (R)
R195 850	R305 850	R35 253 + 26% of taxable income above R195 850
Your tax computation is on the first R195 850		R35 253
On the balance (R200 000 less R195 850)		R1079
Total		R36 332
Rebate (taxpayer under 65)		(R14 220)
Tax payable		R22 112

Taxable income: R800 000

Income exceeding	Not Exceeding	Rates of tax (R)
R708 311	R1 500 000	R 207 448 + 41% of taxable income above R708 311
Your tax computation is on the first R708 311		R207 448
On the balance (R800 000 less R708 311)		R37 592.49
Total		R245 040.49
Rebate (taxpayer under 65)		(R14 220)
Tax payable		R230 820.49

## DIVIDENDS

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax at a rate of 20% is withheld by the entities paying the dividends to the individuals.

Dividends received by South African resident individuals from REIT's (listed and regulated property owning companies) are subject to income tax and 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.

## PENSION, PROVIDENT & RETIREMENT ANNUITY FUND CONTRIBUTIONS

Contributions to a pension, provident or retirement annuity fund during a tax year are deductible by the member of the fund. The deduction is limited to the greater of:

- 27.5% of the employee's remuneration for PAYE purposes (excluding retirement fund lump sums and severance benefits); or
- 27.5% of the employee's taxable income (excluding retirement fund lump sums and severance benefits).

The deduction is limited to a maximum amount of R 350 000. If contributions exceed the limitation during a particular tax year, the contributions are carried over to the next tax year.

## MEDICAL TAX CREDIT RATES

Per month (R)	2019/2020
For the taxpayer who paid the medical scheme contributions	R310
For the first dependant	R310
For each additional dependant(s)	R209

## 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.

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.

## DONATIONS TAX

- Donations tax is levied at a flat rate of 20% on the value of property donated. However, the amount of donations exceeding R30 million is taxed at a rate of 25%.
- The first R100 000 of property donated in each year by an individual is exempt from donations tax.
- In the case of a taxpayer who is not an individual, 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.

## SUBSISTENCE ALLOWANCE AND ADVANCES

Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business and the accommodation to which that 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, an amount of R435 per day is deemed to have been expended;
- incidental costs only, an amount of R134 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 of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal Counsel / Secondary Legislation / Income Tax Notices / 2019.

## TAXATION OF CAPITAL GAINS

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

Maximum of effective rate of tax	
Individuals and special trusts	18%
Companies	22.4%
Other trusts	36%

## TRAVEL ALLOWANCE

Rates per kilometre, which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determining by using the following table:

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 85 000	28 352	95.7	34.4
85 001 - 170 000	50 631	106.8	43.1
170 001 - 255 000	72 983	116.0	47.5
255 001 - 340 000	92 683	124.8	51.9
340 001 - 425 000	112 443	133.5	60.9
425 001 - 510 000	133 147	153.2	71.6
510 001 - 595 000	153 850	158.4	88.9
Exceeding 595 000	153 850	158.4	88.9

## INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2019 and 31 March 2020.

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

Income Tax: Small Business Corporations	
Taxable Income (R)	Rate of Tax (R)
0 - 79 000	0% of taxable income
79 000 - 365 000	7% of taxable income above 79 000
365 001 - 550 000	20 020 + 21% of taxable income above 365 000
550 000 and above	58 870 + 28% of taxable income above 550 000

Turnover Tax for Micro Businesses	
Taxable Income (R)	Rate of Tax (R)
0 - 335 000	0% of taxable income
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

## 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. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

## ESTATE DUTY

It is advisable to plan and consider the financial implications of estate duty well in advance. The duty is levied on the dutiable value of an estate at a rate of 20% on the first R30 million, and at a rate of 25% above R30 million.

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JERRY BOTHA, **MANAGING PARTNER**

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