

2018 Budget Speech Summary

On 21 February 2018, Finance Minister Malusi Gigaba delivered his 2018 Budget Speech.

How does the Budget Speech affect you or your business?

Hereby a summary of the most significant proposals for the 2018/2019 Budget as tabled by the Minister of Finance:

2018/2019 Tax Proposals:

VAT: A one percentage point (1%) increase in VAT from 14% to 15%.

No adjustments to the top four income tax brackets. Below inflation adjustments to the bottom three income tax brackets through a 3.1% increase.

Fuel Levies: Overall increase of 52c/litre for fuel, consisting of a 22c/litre increase in the general fuel levy and 30c/litre increase in the Road Accident Fund levy, effective 4 April 2018.

Luxury Goods Tax: Increase in the ad-valorem excise duties rate on luxury goods from 7% to 9% effective 1 April 2018.

Estate Duty Tax: Increased estate duty, to be levied at 25% for estates above R30 million, effective 1 March 2018. This is a 5% increase.

Capital Gains and Dividend Tax: The capital gains tax rate for individuals remains unchanged at 18%, while the dividends tax rate remains unchanged at 20%.

Medical Tax Credits: The medical tax credits will increase from R303 to R310 per month for the first two dependants (2.3% increase), and from R204 to R209 per month for the remaining dependants (2.5% increase).

Sin Tax: Excise duties on tobacco products will increase by 8.5% and on alcohol by 6-10%.

Environmental & Health Tax: Increases in the plastic bag levy, the motor vehicle emissions tax and the levy on incandescent light bulbs to promote eco-friendly choices.

Other Proposals:

Transfer Duty fees: There are no changes to the transfer duty fees.

Social Grants: General increase across all social grants.

Download the full SAICA 2018 Budget Tax Commentary and Summary [HERE](#)

Tax proposal Summary:

Increased the VAT rate Government proposes to raise VAT by one percentage point, from 14% to 15%, effective 1 April 2018. VAT was last adjusted in 1993.

Personal income tax rates and bracket adjustments

2018/19

R 0 – R 195 850

18% of each R1

R 195 851 – R 305 850

R 35 253 + 26% of the amount over R 195 850

R 305 851 – R 423 300

R 63 853 + 31% of the amount over R 305 850

R 423 301 – R 555 600

R100 263 + 36% of the amount over R 423 300

R 555 601 – R 708 310

R147 891 + 39% of the amount over R 555 600

R 708 311 – R1 500 000

R207 448 + 41% of the amount over R 708 310

2017/18 Rebates

2018/19 Rebates

1. Primary – R13 635

2. Secondary – R7 479

3. Tertiary – R2 493

1. Primary – R14 067

2. Secondary – R7 713

3. Tertiary – R2 574

2017/18 Tax threshold

2018/19 Tax threshold

1. Below age 65 – R75 750

2. Age 65 and over – R117 300

3. Age 75 and over- R131 150

1. Below age 65 – R78 150

2. Age 65 and over – R121 000

3. Age 75 and over – R135 300

Source: National Treasury

Fuel taxes

Government proposes to increase the general fuel levy by 22c/litre and the Road Accident Fund levy by 30c/litre, effective 4 April 2018.

Raising luxury ad-valorem excise duties

The maximum ad-valorem excise duty for motor vehicles will be increased from 25% to 30%, effective 1 April 2018. The ad valorem excise duty rates, now at 5% and 7%, will be increased to 7 per cent and 9 per cent, ensuring that households spending more on luxury goods contribute proportionately more to revenue. The classification of cellular telephones will be updated to include “smart phones” to ensure they attract ad valorem excise duties.

Increasing the estate duty rate

The 2018 Budget proposes to increase estate duty from 20% to 25% for estates worth R30 million and more. This is in line with Davis Tax Committee recommendations, and in keeping with the progressive structure of the tax system. Any donations above R30 million in one tax year will be taxed at 25%, in order to limit the staggering of donations and avoid the higher estate duty rate. Both measures will be effective from 1 March 2018.

Capital Gains Tax and Dividend Tax

The capital gains tax rate for individuals remains unchanged at 18%.

Dividend tax rate remains unchanged at 20%.

Medical Tax Credit

The Income Tax Act (1962) provides a tax rebate (medical tax

credit) for individuals. The medical tax credit consists of two components: medical scheme fees for approved medical scheme contributions and additional medical expenses for out-of-pocket medical payments. Government is concerned that some taxpayers may be excessively benefiting from this rebate, specifically in instances where multiple taxpayers contribute toward the medical scheme or expenses of another person (for example, adult children jointly contributing to their elderly mother's medical scheme). Where taxpayers carry a share of the medical scheme, contribution or medical cost, it is proposed that the medical tax credit should also be apportioned between the various contributors. The medical tax credits will increase from R303 to R310 per month for the first two dependants (2.3% increase), and from R204 to R209 per month for the remaining dependants (2.5% increase).

Excise duties on tobacco and alcohol

Government proposes to increase excise duties on tobacco products by 8.5%, and excise duties on alcohol by between 6% and 10%.

Product

Increase

Malt Beer

15c per 340ml can

Wine

28c per 750ml bottle

Sparkling wine

73c per 750ml bottle

Ciders and alcoholic fruit beverages

15c per 340ml bottle

Spirits

R4.80 per 750ml bottle

Cigarettes

R 1.22 per packet of 20

Environmental and health taxes

In addition to raising revenue, tax policy supports efforts to protect the natural environment and promote sustainable use of limited resources.

The vehicle emissions tax will be increased to R110 for every gram above 120 gCO₂/km for passenger vehicles and R150 for every gram above 175 gCO₂/km for double cab vehicles, effective 1 April 2018.

To reduce litter and dissuade consumers from buying plastic bags, the plastic bag levy is to be increased by 50% to 12 cents per bag, effective 1 April 2018.

The environmental levy on incandescent light bulbs will increase from R6 to R8 to incentivise more energy-efficient behaviour. This measure will take effect from 1 April 2018.

Cabinet adopted the Carbon Tax Bill in August 2017. Parliament has convened hearings following the release of the draft bill in December 2017. The bill is expected to be enacted before the end of 2018. Government proposes to implement the tax from 1 January 2019 to meet its nationally determined contributions under the 2015 Paris Agreement of the United Nations Framework Convention on Climate Change.

Other Budget Proposals

Social Grants

The specific increases in the different grants are:

State old age grant from R1 600/month to R1 695/month.

State old age grant for over 75s will be increased from R1 621 to R1 715.

War veterans grant will go up from R1 620 to R1 715.

Disability grant will increase from R 1 600 to R1 695.

The foster care grant is set to go up from R920 to R960.

The child care dependency grant is set to rise from R1 600 tot R1 695.

The child support grant will be increased from R380 to R405.

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