Dividends Tax

What is Dividends Tax?
Dividends Tax is a tax imposed (at 15%) on shareholders on the receipt of dividends from companies, and, under normal circumstances is withheld from their dividend payment.

How should Dividends Tax be paid?
Dividends Tax is a withholding tax that is deducted from dividend payments and paid over to SARS by the company paying the dividend, rather than by the beneficial owner (the recipient). Some companies paying dividends may use a regulated intermediary such as a broker to carry out the same function (normally the case with listed companies). However, if the dividend consists of a distribution of an asset in specie the company itself has to pay the tax and may not withhold it from the dividend payment.

When should Dividends Tax be paid?
Dividends Tax applies to any dividend declared and paid from 1 April 2012 onwards, and the withholding agent (either the company or the regulated intermediary) should pay the tax withheld to SARS on or before the last day of the month following the month in which the dividend was paid.

What steps must I take?
As a shareholder (in either a company that is resident in South Africa or in a foreign company whose shares are listed at the JSE) you will become liable for the Dividend Tax when a dividend is paid to you. However, the relevant withholding agent will have to withhold and pay the tax to SARS. The withholding agent should also send you the required declaration and undertaking form(s) for completion if you qualify for any of the exemptions (section 64F) or a reduced
rate in terms of a DTA (foreign residents only). The completed form must be submitted to the withholding agent before it may exempt the Dividends payment or withhold at a reduced rate.

What is the difference between Dividends Tax and Secondary Tax on Companies?

The main difference lies in who is liable for the tax. Dividends Tax is a tax levied on shareholders (beneficial owners of dividends) on receipt of dividends, whereas Secondary Tax on Companies is a tax levied on companies on the declaration of dividends. Please note that as from 1 April 2012 Secondary Tax on Companies will no longer exist.

NOTE: Kindly refer to Annexure G of the Business Requirement Specification (BRS) – Dividends Tax (Version 8.0.2) for examples of the required ‘declaration’ and ‘undertaking’ forms for both exemptions and reduced rates.

Please note that SARS has not issued the actual form to be used but has prescribed the required wording and minimum information to be provided. The company / regulated intermediary has to prepare its own forms (for both exemptions and reduced rates) which should incorporate at least the prescribed wording and required information as provided in the said annexure.