Saica: Summary of budget proposals

Saica News
Comprehensive notes on various tax; tables included.

The following is a summary of the tax related budget proposals announced by the Minister of Finance on 27 February 2013.

BUDGET HIGHLIGHTS

The main tax proposals for 2013 include the following: • An employment tax incentive targeted to support young workers and those employed in special economic zones. • Individuals whose taxable income is from one employer and is below R250 000 a year are not required to submit income tax returns. • Levies on fuel increase by 23c per litre from 3 April 2013.

• From March 2014 an employer's contribution to retirement funds on behalf of an employee will be treated as a taxable fringe benefit in the hands of the employee. Individuals will from that date be allowed to deduct up to 27.5 per cent of the higher of taxable income or employment income for contributions to pension, provident and retirement annuity funds with a maximum annual deduction of R350 000. Contributions above the cap are carried forward to future tax years. • Streamlining registration with SARS and reducing compliance requirements for the submission of tax returns by businesses. • Requiring foreign businesses supplying e-books, music and other electronic services in South Africa to register as VAT vendors. • Several measures are proposed to limit the deduction of interest on specific types of debt to protect the tax base. • An automated tax clearance system will be implemented this year. • Policy paper on carbon emissions tax to be published in 2013 with the view of introducing a carbon tax from 2015.

INDIVIDUALS

Relief for individuals Personal income tax The 2013 Budget

proposes direct personal income tax relief to individuals amounting to R7 billion.
Other relief in a form of adjustments to the medical tax credit and other monetary thresholds amounting to about R350 million
The tax threshold for individuals younger than 65 will be R67 111 and for individuals 65 up to 75 will be R104 611 and individuals older than 75 will be R117 111.
Exemption for interest and dividend income • The annual exemption on interest earned for individuals younger than 65 years increase to R23 800 (R22 800 prior year). • The exemption for individuals 65 years and older increase to R34 500 (R33 000 prior year).
Medical expenses • Monthly tax credits for taxpayers below the age of 65: o R242 for the taxpayer and first dependant, and o R162 for each additional dependant.
• Taxpayers under 65 may claim, as a deduction, medical scheme contributions exceeding four times the amount of the medical scheme credit and any other medical expenses, limited to the amount which exceeds 7,5% of taxable income.
• Taxpayers under 65, where either the taxpayer, the taxpayer's spouse or child is a person with disability, may claim, as a deduction, medical scheme contributions exceeding four times the amount of the medical scheme credit and all qualifying medical expenses.
• Taxpayers 65 and older may claim all qualifying expenditure.

COMPANIES

Corporate tax rates No change is proposed to corporate tax rates.
Small business corporations The tax-free threshold for Small Business Corporations increase from R63 556 to R67 111, and taxable income up to R365 000 will be taxed at 7%. A new tax bracket of taxable income up to R550 000 has been introduced with the applicable rate being 21%. For taxable income above R550 000, the normal corporate tax rate of 28% applies. These amendments will come into effect for years of assessment

ending on or after 1 April 2013.
Banks and brokers In 2012, mark-to-market taxation was introduced, but the effective date was deferred until 2014. This legislation will be refined based on further consultations.
Financial intermediaries and securities transfer tax Currently, banks do not receive an exemption from securities transfer tax (STT) when acting as an intermediary. This lack of relief disrupts intermediary transactions where profits are small, because the STT potentially eliminates (or even exceeds) all intermediary profits. It is accordingly proposed that certain intermediaries, including banks, be exempt from the STT so that transacting on the JSE remains internationally competitive.
Tenant improvements to landlord land Many commercial tenants make substantial improvements on the fixed property of a landlord, especially in the case of long-term leases. In most instances, these improvements are not depreciable in the hands of the tenant on the basis that the ownership requirement is not met. This lack of depreciation has complicated many commercial arrangements. It is proposed that the ownership test for depreciation be replaced with “possession and use” andrelevant amendments to the taxation of the lessor and treatment of leasehold improvements will be effected.
Ancillary aspects to pipelines As pipelines are depreciable, ancillary equipment such as electrical wiring and certain related components will be depreciable to the same extent as the underlying pipelines.
Clarification of trading stock cost calculations The cost price of trading stock is currently calculated in line with generally accepted accounting practices, approved by the South African Revenue Service (SARS). It is proposed that the cost price of trading stock automatically comport to IFRS without the need for SARS approval.
Closure of unintended claims for the research and development incentive Although the research and development incentive was recently amended, information has come to light that it is

still being abused. The incentive aims to facilitate South Africa’s establishment as an innovation hub by global standards. The intention is not to assist in routine upgrades or standard adjustments to match global competition. The criteria for eligibility will be adjusted to ensure that the incentive is available only in support of the initial policy intention.

Mining dewatering association Although the tax system contains an exemption for mining rehabilitation entities, a comparable exemption does not exist for a mining dewatering association (funded by mining houses), which restores water levels adversely impacted by mining. The exemption of this association is under consideration.

Incentives for the construction of affordable housing A tax incentive is under consideration for developers (and employers) to build new housing stock (at least five units in compliance with prescribed standards) for sale below R300 000 per dwelling. This incentive would address challenges faced by households in the “gap market”. An exclusion of R60 000 per qualifying house sold is proposed. **INTERNATIONAL**

Deferral of expenditure incurred by certain connected persons The tax system triggers income on the earlier of receipt or accrual, whilst deductions may be claimed based on payment or incurral. While this system is largely appropriate, taxpayers have an incentive to accelerate deductions on incurred expenditure if a connected counterparty lacks immediate (or deferred) corresponding income. This often occurswhen expenditure is incurred by a South African subsidiary in relation to a foreign parent company. To limit potential abuse, deductions will be deferred until payment is made.

Gateway subsidiary It is not uncommon for South African multinationals to use an offshore subsidiary as a treasury operation. Unlike local treasuries, offshore treasuries can freely move currency without regulatory approvals, creating an incentive to move offshore. To eliminate this incentive, listed South African multinationals will be allowed to treat a single local subsidiary as a non-resident company for Reserve

Bank purposes, so treasury operations can remain within South Africa. In addition, these entities can use their foreign functional currency, rather than the rand, as the starting point for tax calculations.

Controlled foreign company activities Imputation for controlled foreign companies should theoretically apply only in the case of passive income and certain forms of income likely to lead to transfer pricing avoidance (known as diversionary income). Although the current rules achieve this result in most cases, certain anomalies have arisen over the years that require clarification. In particular, active offshore research and development activities appear to be inadvertently falling within the net, as well as international shipping activities, international pipelines and commodity hedges associated with active operations. It is also a concern that intra-controlled foreign companies' insurance premiums are not receiving the same relief as their other payments. These anomalies will be removed.

Streamlining currency taxation The current tax calculation of currency gains and losses is extremely complex and not wholly in sync with accounting principles. The currency taxation rules are being simplified in favour of a more practical approach with a longer-term shift towards an IFRS approach to simplifying the tax system without compromising enforcement.

INDIRECT TAXES

VALUE-ADDED TAX (VAT)

Motor cars The current definition of "motor car" in the VAT Act excludes, among others, a vehicle capable of accommodating only one person. A racing car or cart that is acquired by a vendor partly for recreational use and partly for business use (for example, advertising purposes) falls into this exclusion. As a result, the purchase of these vehicles could qualify for a deduction of input tax, even though these cars are often used for recreational (or even normal commuting) purposes. There are no policy reasons to treat these vehicles differently from that of a normal passenger vehicle and the law will be changed accordingly.

Repossession of goods A vendor (debtor) makes a deemed supply of goods under an instalment credit agreement to the creditor if the creditor repossesses those goods. With the introduction of the National Credit Act (2005), a debtor may also surrender goods supplied under an instalment credit agreement. For VAT purposes, the rules should be the same regardless of whether the creditor or the debtor is exercising the discretion to surrender the goods.

Future supplies of services A special time-of-supply rule exists for goods supplied under an agreement (excluding rental or instalment credit agreements). When the recipient takes possession of those goods and consideration for that supply cannot be determined upfront, the supply is deferred until the earlier of the dates when payments are due or received, or when an invoice is issued. A similar rule for services will be added when the consideration for that service cannot be determined upfront due to a contingent future event (for example, share price and exchange rate).

Supplies between connected persons Special time-of-supply rules apply to transactions between connected persons. The purpose of these rules is to prevent artificial deferrals. However, no apparent reason exists for this rule to apply if the transaction gives rise to an input for the purchaser that is simultaneous with the output for the seller. Relief in this area is accordingly proposed.

Tax invoices issued in foreign currency Whilst a valid tax invoice must be stated in Rands, the VAT Act doesn’t prescribe how to deal with the transactions conducted in foreign currency. This will be addressed by converting foreign currency invoices to rands at the spot rate agreed upon by the parties or the spot rate on the date of supply.

Temporary letting of residential fixed property Developers that use the temporary relief provisions for the letting of residential fixed property may retain the information as part of their normal record-keeping instead of making such a declaration to SARS within 30 days of the supply.

Home-owners association The supply of services by a sectional title association to its members in the course of the management of the sectional title body corporate is generally exempt from VAT. However, a home-owners association lacks a similar exemption and it is proposed that this unequal treatment be removed.

The right of use of fixed property Currently, a cooperative that supplies membership units falls outside the VAT Act and is therefore not subject to VAT. Property cooperatives will accordingly be treated like share block companies.

Indirect exports The export incentive scheme will be replaced by new export regulations. Legislative amendments will be required to ensure alignment.

Imported goods – damaged or destroyed The VAT Act does not have a relief mechanism for goods damaged, destroyed or abandoned, which means that when those goods are entered for home consumption, VAT applies. It is proposed that comparable VAT relief be provided for goods that are destroyed, damaged or abandoned.

TAX ADMINISTRATION

To address the issue of tax avoidance, SARS is currently engaging with companies that have their base of operations in SA but appear to have shifted a large proportion of their profits to low tax jurisdictions.

SARS is also pursuing schemes identified under the revised general anti-avoidance rules following several years' painstaking work tracing transactions through multiple jurisdictions and entities. These benefits typically accrue to advisors and pre-existing shareholders, rather than new shareholders who were introduced as the ostensible beneficiaries of the transactions.

Permanent Voluntary Disclosure Programme As part of the Tax Administration Act (2011), a permanent voluntary disclosure programme became effective as from 1 October 2012. An estimated 700 taxpayers have already submitted applications, with an estimated tax of more than R200 million expected to be

collected before the end of March 2013.
Non-compliance SARS is targeting several areas of non-compliance, which include persons who are recipients of government expenditure but not up to date with their taxes. By working closely with Treasury and interfacing with the government payment system, SARS has identified companies who have received payments but have not declared their full income. They are being audited, and others will follow.
Tax Clearance Certificates SARS is currently going through a complete reform of the Tax Clearance Certificate process. In the near future, SARS will introduce a Single Registration process in which companies are able to register once-off in a simple manner for all tax types and Customs activities.

TAX POLICY RESEARCH PROJECTS

Debt relief The payback provisions within the VAT Act seek to claw-back input tax claimed on supplies received by a vendor if the vendor has not discharged the debt for that supply within a period of 12 months. This claw-back is often onerous when debts are relieved to help the debtor avoid potential or actual insolvency. Debt relief to assist distressed debtors (such as business rescue) is under consideration. The question is whether the need for this relief can be balanced against potential misuse (deliberate input deductions without any subsequent output).
Apportionment – non-financial sectors The default apportionment method, which is based on turnover, appears to be inequitable at times because there may not be a direct correlation between expenditure incurred versus turnover generated. It is proposed that the default application of this method be re-evaluated.

REFORMING THE TAXATION OF TRUSTS
To curtail tax avoidance associated with trusts, government is proposing several legislative measures during 2013/14. Certain aspects of local and offshore trusts have long been a problem for global tax enforcement due to their flexibility and flow-

through nature. Also of concern is the use of trusts to avoid estate duty, which will be reviewed. The proposals will not apply to trusts established to attend to the legitimate needs of minor children and people with disabilities. The proposals are as follows: • Discretionary trusts should no longer act as flow-through vehicles. Taxable income and loss (including capital gains and losses) should be fully calculated at trust level with distributions acting as deductible payments to the extent of current taxable income. Beneficiaries will be eligible to receive tax-free distributions, except where they give rise to deductible payments (which will be included as ordinary revenue). • Trading trusts will similarly be taxable at the entity level, with distributions acting as deductible payments to the extent of current taxable income. Trusts will be viewed as trading trusts if they either conduct a trade or if beneficial ownership interests in these trusts are freely transferable. • Distributions from offshore foundations will be treated as ordinary revenue. This amendment targets schemes designed to shield income from global taxation. **TAX GUIDE**

Individuals and trusts

Income tax rates for natural persons and special trusts **Year of assessment ending 28 February 2014**	
Taxable income	**Taxable rates**
0 – 165 600	18% of each R1
165 601 – 258 750	29 808 + 25% of the amount above 165 600
258 751 – 358 110	53 096 + 30% of the amount above 258 750
358 111 – 500 940	82 904 + 35% of the amount above 358 110
500 941 – 638 600	132 894 + 38% of the amount above 500 940

638 601 and above	185 205 + 40% of the amount above 638 600

Natural persons

Tax thresholds		
	2013	**2014**
	R	**R**
Below 65 years of age	63 556	67 111
Aged 65 and below 75	99 056	104 611
Aged 75 and over	110 889	117 111

Tax rebates	
	2014
	R
Primary – all natural persons	12 080
Secondary – persons aged 65 and older	6 750
Secondary – persons aged 75 and above	2 250

Trusts

The tax rate on trusts (other than special trusts which are taxed at rates applicable to individuals) remains unchanged at 40%.

PROVISIONAL TAX

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person’s principal. The following individuals are exempt from the payment of provisional tax–

• Individuals below the age of 65 who do not carry on a business and whose taxable income –

o will not exceed the tax threshold for the tax year; or

o from interest, foreign dividends and rental will be R20 000 or less for the tax year.

• Individuals age 65 and older if their taxable income for the tax year –

o consists exclusively of remuneration, interest, foreign dividends or rent from the letting of fixed property; and
o is R120 000 or less.

Retirement fund lump sum withdrawal benefits

Taxable income	Rate of tax
R	R
0 – 22 500	0% of taxable income
22 501 – 600 000	18% of taxable income above 22 500
600 001 – 900 000	103 950 + 27% of taxable income above 600 000
900 001 and above	184 950 + 36% of taxable income above 900 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order).

Tax on a specific retirement fund lump sum withdrawal benefit (X) is equal to –
• tax determined by applying the tax table to the aggregate of that lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011; less
• tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011.

Retirement fund lump sum benefits

Taxable income	Rate of tax

R	R
0 – 315 000	0% of taxable income
315 001 – 630 000	18% of taxable income above 315 000
630 001 – 945 000	56 700 + 27% of taxable income above 630 000
945 001 and above	141 750 + 36% of taxable income above 945 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of employer’s trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person’s office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (Y) is equal to –

- tax determined by applying the tax table to the aggregate of that lump sum or severance benefit Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit Y from March 2011.

FOREIGN DIVIDENDS

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10 per cent in the foreign company) are taxable at a maximum effective rate of 15 per cent. No deductions are allowed for expenditure to produce foreign dividends.

EXEMPTIONS

Interest and dividends

• Interest from a South African source earned by any natural person less than 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from taxation.

• Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 183 days during the 12 month period before the interest accrues or is paid and who are not carrying on business in South Africa through a fixed place of business.

DEDUCTIONS

Current pension fund contributions

The deduction is limited to the greater of

• 7,5% of remuneration from retirement funding employment, or
• R1 750.

Any excess may not be carried forward to the following year of assessment.

Arrear pension fund contributions

The deduction is limited to a maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Current retirement annuity fund contributions

The deduction is limited to the greater of

• 15% of taxable income other than from retirement funding employment, or
• R3 500 less current deductions to a pension fund, or
• R1 750

Any excess may be carried forward to the following year of assessment.

Arrear retirement annuity fund contributions
The deduction is limited to a maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Medical and disability expenses
• Taxpayers 65 and older may claim all qualifying expenditure. The rebate will apply only from 1 March 2014.

• Taxpayers under 65, where the taxpayer or the taxpayer's spouse or child is a person with a disability may in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R242 for each of the taxpayer and the first dependant on the medical scheme and R162 for each additional dependant. When determining taxable income they can also claim a deduction for medical scheme contributions exceeding four times the amount of the medical schemes fees tax credits and claim all qualifying medical expenses (which excludes medical scheme contributions).

• Other taxpayers under 65 may in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R242 for each of the taxpayer and the first dependant on the medical scheme and R162 for each additional dependant. When determining taxable income they can also claim a deduction for the aggregate of medical scheme contributions exceeding four times the amount of the medical schemes fees tax credits and any other medical expenses, limited to the amount which exceeds 7,5% of taxable income (excluding retirement fund lump sums).

Donations
Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income before

deducting medical expenses (excluding retirement fund lump sums).

Allowances

Subsistence allowances and advances

Where recipients are obliged to spend at least one night away from their usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is granted to pay for –

• meals and incidental costs, an amount of R319 per day is deemed to have been expended;

• incidental costs only, an amount of R98 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, a specific amount per country is deemed to have been expended.

Details of these amounts are published on the SARS website under Legal & Policy / Legislation / Regulations and Government Notices / Income Tax Act, 1962.

Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business-travel, where no records of actual costs are kept are determined by using the following table.

Value of the vehicle (including VAT)	**Fixed cost**	**Fuel cost**	**Maintenance cost**
R	**R per annum**	**c per km**	**c per km**
0 – 60 000	19 310	81.4	26.2
60 001 – 120 000	38 333	86.1	29.5

120 001 – 180 000	52 033	90.8	32.8
180 001 – 240 000	65 667	98.7	39.4
240 001 – 300 000	78 192	113.6	46.3
300 001 – 360 000	90 668	130.3	54.4
360 001 – 420 000	104 374	134.7	67.7
420 001 – 480 000	118 078	147.7	70.5
exceeding 480 000	118 078	147.7	70.5

Note:

Note: 80% of the travelling allowance must be included in the employee'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 motor vehicle for the tax year will be for business purposes.

No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. 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.

The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travelling allowance.

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 an employee up to the rate of 324 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 from the employer in respect of the vehicle.

FRINGE BENEFITS

Employer-owned vehicles

• The taxable value is 3,5% of the determined value (the cash cost including VAT) per month of each vehicle. Where the vehicle is–

o the subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3,25% of the determined value; or

o acquired by the employer under an operating lease the taxable value is cost incurred by the employer under the operating lease plus the cost of fuel.

• 80% of the fringe benefit must be included in the employee'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 motor vehicle for the tax year will be for business purposes.

• On assessment the fringe benefit for the tax year 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 employee and if the distance

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income.

Residential accommodation

The fringe benefit to be included in gross income is the greater of the benefit calculated by applying a prescribed formula or the cost to the employer.

The formula will apply if the accommodation is owned by the employer, by an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

DIVIDENDS TAX

Dividends tax is imposed at 15% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person.

The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares.

CORPORATE INCOME TAX RATES

YEARS OF ASSESSMENT ENDING BETWEEN 1 APRIL 2013 AND 31 MARCH 2014		
Normal tax		
Companies and close corporations	Basic rate	28%
Personal service provider companies	Basic rate	28%
Foreign resident companies which earn income from a SA source	Basic rate	28%

SMALL BUSINESS CORPORATIONS

YEARS OF ASSESSMENT ENDING BETWEEN 1 APRIL 2013 AND 31 MARCH 2014	
Taxable income	**Rate of tax**
R	**R**
0 – 67 111	0% of taxable income
67 112 – 365 000	7% of taxable income above 67 111
365 001 – 550 000	20 852 + 21% of taxable income above 365 000
550 001 and above	59 702 + 28% of taxable income above 550 000

TURNOVER TAX FOR MICRO BUSINESSES

YEARS OF ASSESSMENT ENDING BETWEEN 1 APRIL 2013 AND 31 MARCH 2014
Rate of tax
R
0% of taxable turnover
1% of taxable turnover above 150 000
1 500 + 2% of taxable turnover above 300 000
5 500 + 4% of taxable turnover above 500 000
15 500 + 6% of taxable turnover above 750 000

EFFECTIVE CAPITAL GAINS TAX (CGT) RATES

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

Maximum effective rates of tax
Individuals and special trusts 13.3%
Companies 18.6%
Other trusts 26.6%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

The following are some of the specific exclusions:

- A gain/loss of R2 million on the disposal of a primary residence
- Most personal use assets
- Retirement benefits
- Payments in respect of original long-term insurance policies
- Annual exclusion of R30 000 capital gain or capital loss is granted to individuals and special trusts
- Small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of
- Instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

OTHER TAXES, DUTIES AND LEVIES

Value-added Tax (VAT)
VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors.

A vendor making taxable supplies of more than R1 million per annum must register for VAT and a vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT.

Transfer duty
Acquisitions of property by all persons, which are not subject to VAT, are subject to transfer duty at the following rates:

Value of property	**Rate**
R	
0 – 600 000	0%

600 001 – 1 000 000	3% of the value above 600 000
1 000 001 – 1 500 000	12 000 + 5% of the value above 1 000 000
1 500 001 and above	37 000 + 8% of the value above 1 500 000

Estate duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents.

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.
• The first R100 000 of property donated in each year by a natural person is exempt from donations tax.
• In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
• Dispositions between spouses and donations to certain public benefit organisations are exempt from donations tax.

Securities transfer tax

The tax is imposed at a rate of 0.25 of a per cent on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.