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Tax Guide
2016/2017

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Budget 2016/2017 Highlights

- The 2016-17 tax increases will be implemented over a broad base with higher-income taxpayers enduring the bulk and being compensated for only about 60% of fiscal drag. Only the primary rebate and the bottom three income brackets will be adjusted.
- Tax credits for medical aid contributions were adjusted to keep pace with inflation.
- Transfer duty on properties valued above R10m will increase from 11% to 13% for properties acquired after 1 March 2016.
- The effective capital gains tax for individuals will rise from 13.7% to 16.4%, and for companies from 18.6% to 22.4%. The annual amount above which capital gains will be taxable for individuals will increase from R 30 000 to R 40 000.
- The general fuel levy will rise by 30c a litre.
- Government is offering taxpayers who have undeclared offshore assets and income a six-month period from October to end March 2018 to regularise their affairs in exchange for income tax and exchange control relief. Only companies and individual — and not trusts — will qualify for the Special Voluntary Disclosure Programme.
- Social grants will rise by between 6.1% and 6.4%, which is less than the projected inflation rate of 6.8% for 2016.
- A new tax on sugar-sweetened beverages will be introduced from 1 April 2017.
- Treasury projects economic growth to be at 0.9% in 2016, 1.7% in 2017 and 2.4% in 2018.
- Government will aim to reduce the budget deficit at a faster pace than previously projected from 2017 by limiting the growth in the public sector wage bill and imposing tax increases amounting to R18bn this year, and a total of R30bn in 2017-18 and 2018-19 together. Details of these tax increases will finalised in future.
- A freeze will be placed on public sector employment from April 2016 and steps taken to reduce the number of public servants by 20,000 and its wage bill by R7.2bn over the next three years.
- Government's infrastructure programme is expected to contribute to this growth, with R870bn being invested in transport, energy, housing, health and water infrastructure over the next three years.
- Government will focus on stabilising debt as a percentage of gross domestic product (GDP) by means of more ambitious budget deficit targets, reduced spending plans and tax increases. The budget deficit is projected to fall to 3.2% in 2016-17, 2.8% in 2017-18 and 2.4% in 2018-19. Treasury expects to achieve this deficit reduction by reducing expenditure by R10bn and increasing tax collections to R15bn in 2017-18 and R15bn on each item the following year.
- R31.8bn was reprioritised for allocations to cover the needs of higher education, the drought and the government's commitment to the New Development Bank over the next three years. An additional R16.3bn was allocated for higher education over the next three years and the National Student Financial Aid Scheme will receive R2.5bn to clear outstanding student debt, along with a further R8bn over the medium term.
- R1.1bn was released for drought relief in 2016-17.
- Green taxes are increasing with a new tyre levy of R2.30/kg taking effect from 1 October 2016. The taxes on incandescent globes, plastic bags and motor vehicle emissions are being increased.

Comparative Tax Rates at a Glance

Category	2015	2016	2017
Natural Persons			
Minimum rate Up to a taxable income of	18% 174 550	18% 181 900	18% 188 000
Maximum rate Reached at a taxable income	40% 673 100	41% 701 300	41% 701 300
CGT inclusion rate	33.3%	33.3%	40%
Companies and CCs			
Normal tax rate	28%	28%	28%
Dividends tax	15%	15%	15%
CGT inclusion rate	66.6%	66.6%	80%
Small Business Corporations			
Minimum rate Up to a taxable income of	0% 70 700	0% 73 650	0% 75 000
Maximum rate Reached at a taxable income	28% 550 000	28% 550 000	28% 550 000
Micro Business			
Minimum rate Up to a taxable income of	0% 150 000	0% 335 000	0% 335 000
Maximum rate Reached at a taxable income	6% 750 000	3% 750 000	3% 750 000
Trusts (excluding special trusts)			
Normal tax rate	40%	41%	41%
CGT inclusion rate	66.6%	66.6%	80%
Sundry			
Donations tax	20%	20%	20%
Estate duty	20%	20%	20%

Tax Rate

Natural Persons Tax Rates 2017

Taxable income	Rates of tax
R 0 – R 188 001	18% of each R1
R 188 001 – R 293 600	R 33 840 + 26% of the amount over R 188 000
R 293 601 – R 406 400	R 61 296 + 31% of the amount over R 293 600
R 406 401 – R 550 100	R 96 264 + 36% of the amount over R 406 400
R 550 101 – R 701 300	R 147 996 + 39% of the amount over R 550 100
R 701 301 + R 206 964 +	41% of the amount over R 701 300

Natural Persons Tax Rates 2016

Taxable income	Rates of tax
R 0 – R 181 900	18% of each R1
R 181 901 – R 284 100	R 32 742 + 26% of the amount over R 181 900
R 284 101 – R 393 200	R 59 314 + 31% of the amount over R 284 100
R 393 201 – R 550 100	R 93 135 + 36% of the amount over R 393 200
R 550 101 – R 701 300	R 149 619 + 39% of the amount over R 550 100
R 701 301 + R 208 587 +	41% of the amount over R 701 300

Natural Persons

Natural Persons Tax Rates 2015

Taxable income	Rates of tax
R 0 – R 174 550	18% of each R1
R 174 551 – R 272 700	R 31 419 + 25% of the amount over R 174 550
R 272 701 – R 377 450	R 55 957 + 30% of the amount over R 272 700
R 377 451 – R 528 000	R 87 382 + 35% of the amount over R 377 450
R 528 001 – R 673 100	R 140 074 + 38% of the amount over R 528 000
R 673 101 +	R 195 212 + 40% of the amount over R 673 100

Natural Persons: Rebates

Amounts deductible from the tax payable	2015	2016	2017
Persons under 65	R 12 726	R 13 257	R 13 500
Persons 65 and under 75	R 19 836	R 20 664	R 20 907
Persons 75 and over	R 22 203	R 23 130	R 23 373

Natural Persons: Thresholds

Taxable income	2015	2016	2017
Persons under 65	R 70 700	R 73 650	R 75 000
Persons 65 and under 75	R 110 200	R 114 800	R 116 150
Persons 75 and over	R 123 350	R 128 500	R 129 850

Exemptions

Natural Persons: Interest Exemption

Interest from South African source, property unit trust distributions and foreign interest received by natural persons:

Person	2015	2016	2017
Persons under 65 years	R 23 800	R 23 800	R23 800
Persons 65 years and older	R 34 500	R 34 500	R 34 500

Other exemptions

- Dividends received or accrued from South African companies or JSE dual listed non-resident companies are generally exempt, although they are subject to Dividends Tax.
- Interest received by or accrued to a non-resident is exempt from income tax provided the individual was physically absent from South Africa for more than 183 days in aggregate and did not carry on business through a permanent establishment in South Africa during the 12 months prior to date of receipt or accrual. From 1 March 2015, where this exemption is applicable, a withholding tax of 15% is imposed on interest paid to non-residents, subject to a reduction in the rate in terms of a double taxation agreement where applicable.
- Unemployment insurance benefits.
- Road Accident Fund payments from 1 March 2012.
- Termination lump-sum payments from an employer as severance payment in respect of age, ill-health and retrenchment after 1 March 2011 are aligned with the taxation of lump-sum benefits. The R 500 000 tax-free limit also applies. However, if a person held an interest of more than 5% in an entity at any time and receives a retrenchment payment, this concession does not apply.
- Compensation awards of up to R 300 000 that an employer pays following the death of an employee in the course of employment are tax-exempt from 1 March 2007 onwards. From 1 March 2011, previous retrenchment exemptions are no longer set-off against this amount.

Exemptions no longer applicable

- From 1 March 2014, dividends received for services rendered or by virtue of employment, including share incentive trust distributions are no longer exempt.
- The foreign interest and dividend exemption (2012: R 3 700) fell away on 1 March 2012. This exemption is replaced by a formula, which results in a maximum effective tax-rate of 15%.

Marriage in Community of Property

The income received by taxpayers who are married in community of property from interest, dividends, rental income and capital gain, is combined and half of the total is taxed in the hands of each spouse, regardless of whose name the assets are registered in. All other income is taxed in the individual's hands and does not affect the joint estate.

Exemptions

Deemed Employees

Labour brokers and personal service providers are regarded as deemed employees. However, a deemed employee may apply for a tax directive from SARS, to have a lower tax rate applied.

Labour Brokers

The statutory definition of a labour broker as of 1 March 2009, is *"any natural person who conducts or carries on any business whereby such person for reward provides a client of such business with other persons to render a service or perform work for such client, or procures such other persons for the client, for which services or work such other persons are remunerated by such person."*

Personal Service Providers

A company, close corporation or trust is regarded as a personal service provider when the services the entity renders is rendered personally by a person who is a connected person to the entity, and one of the following provisions apply:

- The person would ordinarily have been regarded as an employee of the client (recipient of the service), if the service was not rendered through a legal entity.
- The service in question is rendered mainly at the client's premises and the client controls or supervises the person or entity in terms of the manner in which the duties are performed.
- More than 80% of the entity's income is derived from services rendered to one client or associated person in relation to the client.

The entity will not be regarded as a personal service provider if it employs three or more unconnected full-time employees for core operations throughout the year of assessment.

Implications

- Unless in possession of an exemption certificate, a taxpayer who is considered a labour broker is subject to PAYE at the same rates that are applicable to individual taxpayers. Only the remuneration paid to employees qualify as deductions.
- A personal service provider operating as a company or close corporation is subject to PAYE at 28%, and those operating as trusts, 41%.
- If a personal service provider provides an affidavit confirming that it does not receive more than 80% of its income from one source, no PAYE needs to be deducted.
- Personal service providers are limited to deductions including employee remuneration, contributions to pension, provident and benefit funds, legal expenses, bad debts, expenses relating to premises, finance charges, insurance, repairs, fuel and maintenance relating to assets used wholly and exclusively for trade, and any amount previously included in taxable income and subsequently refunded by the recipient.

Variable Remuneration

The taxation of variable remuneration, which includes commission, bonuses, overtime payment, leave-pay and reimbursed travel expenses, changed from an accrual basis to a payments basis on 1 March 2013. Variable remuneration should be taxed in the month that it is paid to the employee and not when it accrues.

Taxable Benefits

Right To Use Company-Provided Motor Vehicle

The following provisions apply when an employee receives the right to use a motor vehicle:

- If the employer rents the vehicle, the monthly taxable value is equal to the employer's actual costs under the lease (e.g. rental and insurance) and fuel costs.
- If the employer owns the vehicle used by the employee, whether it is paid in cash or financed, the taxable value is 3.5% of the determined value per month per vehicle.
- In instances where the vehicle is linked to a maintenance plan for more than three years and/or 60 000 kilometres at the time of acquisition, the taxable value is 3.25% of the determined value. Any consideration paid by the employee towards the cost of the vehicle is subtracted from the determined value.
    - o Determined value:
        - Vehicles purchased BEFORE 1 March 2015: Cash price including VAT, excluding finance charges and interest.
        - Vehicles purchased AFTER 1 March 2015: Retail market value, excluding finance charges and interest.
- To calculate PAYE, 80% of the taxable benefit's value must be included in the employee's remuneration. If the employer is satisfied that 80% or more of the motor vehicle's use will be for business purposes during the tax year, the percentage is reduced to 20%.
- Employees must keep accurate travel records of distances travelled for private and business purposes. SARS is obliged to reduce the value of the taxable benefit 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.
- SARS will further reduce the taxable benefit value for the cost of licence, insurance,
- Maintenance and fuel for private travel, if the employee bore these costs and the distance travelled for private purposes is supported by a log book.
- For employees who use more than one vehicle and can prove that each vehicle is used primarily for business purposes, the private use will be equal to the value attributed to the vehicle that logged the highest value of private use.
- No value is placed on the private use of a company-owned vehicle if:
    - o All employees are able to use it, and private use is infrequent and incidental to the business use and the vehicle is not normally stored at or near the employee's home outside of business hours.
    - o The employee is regularly expected to use the vehicle for business purposes outside normal work hours and private use is infrequent and incidental to the business use, or limited to travel between work and home.
    - o Providing a company-owned vehicle represents a deemed supply for VAT purposes. VAT vendors must account for monthly output VAT on the deemed value by applying the VAT fraction (14/114).
- The deemed consideration is determined as follows:
    - o Motor vehicle / Double cab 0.3 % of cost of vehicle (excl. VAT) per month.
    - o Bakkies 0.6 % of cost of vehicle (excl. VAT) per month.

Taxable Benefits

Low Interest / Interest-Free Loans

- The taxable benefit amount is difference between the official interest rate and the actual interest rate charged on employee loans.
- No taxable benefit arises in respect of loans to any one employee not exceeding R 3 000 at any relevant time or loans granted to employees to enable them to further their studies.

Medical Fund Contributions

The total value of medical fund contributions paid on behalf of an employee is a taxable benefit from 1 March 2010. Affected employees are deemed to have contributed to the scheme and themselves and will qualify for a medical tax credit on such deemed contributions.

The taxable benefit will be zero in cases where contributions are made on behalf of an employee who is retired due to superannuation or ill health, and for dependants of a deceased employee.

Medical Rebates

1. Medical scheme fees tax credit
   All natural persons, regardless of age and disability status, are entitled to a rebate against tax payable in respect of each month that contributions are made to a registered medical scheme for their own benefit or that of their dependants as follows:

Monthly credit against tax payable in respect of benefits to	2015	2016	2017
Main member	R 257	R 270	R 286
Main member plus one dependent	R 514	R 540	R 572
Each additional dependent	R172	R181	R 192

2. Additional medical expenses tax credit
   Additional qualifying out-of-pocket medical expenses and excess contributions may be claimed as an additional tax credit calculated as follows:

Natural persons younger than 65 with no disability suffered by any family members:
25% of {[taxable income (excluding any retirement fund lump-sum benefit, retirement fund lump-sum withdrawal benefit and severance benefit but including capital gains) x 7,5%] LESS [medical aid contributions - (medical credit x 4) + other qualifying medical expenses]}.

Natural persons 65 and older, or any such person if he/she or his/her spouse or child has a disability:
33% of {medical aid contributions - (medical credit x 3) + other qualifying medical expenses}.

Qualifying medical expenses include:

- Services rendered and medicines supplied by a registered medical practitioner, dentist, optometrist, homeopath, naturopath, osteopath, herbalist, physiotherapist, chiropractor or orthopaedist;
- Hospitalisation in a registered hospital or nursing home;
- Home nursing by a registered nurse, midwife or nursing assistant, including those supplied by any nursing agency;
- Medicines prescribed by a registered physician and acquired from a pharmacist;
- Medical expenses similar to the above incurred and paid outside South Africa ;
- Any expenses, as prescribed by the Commissioner, necessarily incurred and paid in consequence of any physical impairment or disability, including:
    - costs of special care (including training of parents or caregivers);
    - service animals;
    - insurance, maintenance and supply of aids and special devices;
    - prosthetics (including prosthetic breasts, limbs or eyes);
    - special devices (including computers suitably adapted, kidney machines, mobile ramps, wheelchairs, crutches, orthopaedic shoes, pacemakers, prescription spectacles and contact lenses) alterations or modifications to assets (including motor vehicles, doorways, elevators and outdoor ramps);
    - special education for learners with disabilities (including fees for a school assistant, classroom costs and school fees, limited to the amount in excess of the fees of the closest fee-paying school);
    - certain services costs (including deaf-blind intervening services, lip-reading services, rehabilitative therapy and sign language);
    - some reasonable travel expenses (including accommodation).
- The rebate is available to the person who paid any of the above expenses incurred by him/her or any dependent
- Amounts paid must be reduced by any amount recovered by that person or his/her spouse

Disability

The term "disability" is defined in section 6B of the Act as follows –
"disability" means a moderate to severe limitation of a person's ability to function or perform daily activities as a result of a physical, sensory, communication, intellectual or mental impairment, if the limitation —

(a) has lasted or has a prognosis of lasting more than a year; and
(b) is diagnosed by a duly registered medical practitioner in accordance with criteria prescribed by the Commissioner.

This definition excludes medical conditions such as diabetes and asthma, as well as physical impairments such as bad eyesight, hearing problems, paralysis of a portion of the body and brain dysfunctions (including dyslexia, hyperactivity or lack of concentration) the effect of which can be moderated through therapy, medication or use of devices.

Taxable Benefits

Employer-Owned Insurance Policies

Policies owned by and paid for by an employer, for the benefit of the employee, spouse, child, dependant or nominee, gives rise to a taxable benefit for the employee. Examples of such policies include group life or disability plans and from 1 March 2015 income protection policies, which were previously tax deductible. See also Income Protection Policy Contributions.

Residential Accommodation

Where an employer provides an employee with residential accommodation, either free of charge or at an amount payable by the employee which is less than the rental value of such accommodation, a taxable benefit arises that is taxed in the hands of the employee.

In terms of Paragraph 9 of the 7th Schedule, the value to be placed on this benefit is generally calculated in the following different ways, depending on the circumstances:

- an amount determined according to a stipulated formula, LESS the amount paid by the employee;
- the lower of the formula or the cost for the employer, LESS the amount paid by the employee.

From 1 March 2015, where the employer supplies accommodation, the use of which it obtains from an unconnected person in terms of an arm's length transaction without itself becoming the vested owner, the rental value is the lower of the formula value or the expenditure incurred by the employer.

No value is placed on any accommodation away from an employee's usual place of residence while the employee is away from home for business purposes. The rental value is also zero when accommodation is supplied in South Africa, to an employee away from his usual place of residence outside of the country for a two-year period, capped at R 25 000 per month. This concession doesn't apply if the person was present in South Africa for longer than 90 days in the tax year prior to the date of arrival.

Low-Cost Housing Acquired by the Employee

From 1 March 2014, no value is placed on immovable property acquired by an employee, even if it is acquired at a price below market value, provided all of these conditions are met:

- The employee earns less than R 250 000 in the tax year during which the acquisition takes place;
- The property's market value is below R 450 000;
- The employee is not a connected person in relation to the employer.

Holiday Accommodation

When an employer provides holiday accommodation to an employee, the taxable benefit is equal to the actual rental cost if the employer rents the accommodation from a third party or, if the employer owns the property, the taxable benefit will be the prevailing market rental value.

Long-Service and Bravery Awards

R 5 000 of the value of long-service and bravery awards, excluding cash payments, is tax exempt.

Taxable Benefits

Free/Subsidised Meals and Refreshments

An employee who receives free or subsidised meals from his/her employer will be subject to tax on a taxable benefit, valued at the cost to the employer, LESS any amount the employee paid towards the cost. However, no taxable benefit arises if the meals are provided:

- at the employer's premises, or at a place mainly or wholly patronised by the employees; or
- during (normal or extended) business hours, or on a special occasion.

Uniform Allowance

If employees are required to wear a company uniform that is clearly distinguishable from ordinary clothing while on duty, no taxable benefit arises if the employer provides the uniform to the employees, or pays an allowance in order to purchase the uniform.

Bursaries

Bursaries are exempt from tax if the bursary is granted to:

- an employee and the employee agrees to repay the employer for the cost, should the employee fail to complete his/her studies for reasons other than death, ill-health or injury; or
- a relative of an employee earning no more than R 400 000 per year and the value of the bursary is less than R 15 000 up to NQF level 4 (i.e. Grade 12), and R 40 000 for further education.

Subsistence Allowances and Advances

Employees who are required to spend at least one night away from their usual residence on business may be paid an advance or allowance for meals and other subsistence costs without these values being included in the employee's taxable income.

However, this is subject to the employee travelling for business by no later than the end of the following month. If the employee receives such an allowance but doesn't travel for business purposes by the end of the following month, the allowance will be taxable in that month.

The deductible amount in respect of these advances or allowances is either:

- The amount the employee actually spent, not exceeding the value of the advance or allowance;
- The daily amounts set out in the table below. When these deemed amounts are used, no documentary evidence is required of actual expenses, and no PAYE is payable. The total value of the allowance is indicated by code 3714 on the IRP5 certificate.
- If the allowances exceed the amounts or periods in the table below, the total allowance must be indicated by code 3704 for local travel and code 3715 for foreign travel.

Cost	2015	2016	2017
Meals and incidental costs for local travel	R 335	R 353	R 372
Incidental cost only for local travel	R 103	R 109	R 115
Daily amount for foreign travel *	Refer to www.sars.gov.za for actual accommodation expenses and allowances by country.		

* not applicable where the absence due to business travel continues for longer six weeks.

Deductions

Employees or holders of office, other than those whose remuneration comprises mainly commission, are limited to the following deductions from their remuneration:

- Bad debts written off;
- Doubtful debts allowance;
- Donations to qualifying PBOs;
- Home office expenses, in certain specific circumstances;
- Legal expenses;
- Contributions to pension or retirement annuity funds (and, from 1 March 2016, provident funds);
- Refunds made on or after 1 March 2008 in respect of amounts included in taxable income for services rendered, including those relating to restraint of trade;
- Wear and tear allowance.

Travel Allowance and Actual/Deemed Travel Expenses

Travel Allowance

80% of an employee's fixed travel allowance is subject to PAYE, except when the employer is satisfied that at least 80% of the vehicle's use during the year of assessment will be for business purposes, in which case the inclusion rate may be limited to 20%. The full allowance is reflected on an employee's IRP5 certificate, regardless of the actual business travel.

Actual/Deemed Travel Expenses

Employees who receive a travel allowance must keep accurate records of odometer readings at the beginning and end of each tax year and deductions in respect of travel expenses must be accompanied by a logbook reflecting the actual distances travelled for business purposes.

The acceptable deduction for business travel can be determined in one of two ways:

1. Applying actual business expenditure
   The value of the vehicle includes VAT but excludes finance costs. For purposes of determining wear and tear, the value is limited to R 560 000 (2016), which must be spread over seven years. Finance costs are also limited to funding of R 560 000 (2016).
   For a leased vehicle, the instalments paid during the year of assessment must not exceed the f fixed cost component in the table below.
2. Using a deemed cost per kilometre according to the following table:

   Note: If the vehicle is used for business purposes for a period shorter than a year, the fixed cost must be reduced pro-rata.

Deductions

Deemed Expenditure – 2017

Cost of vehicle	Fixed R	Fuel c/km	Repairs c/km
Does not exceed R 80 000	26 675	82.4	30.8
Exceeds R 80 000 but not R 160 000	26 675	82.4	30.8
Exceeds R 160 000 but not R 240 000	68 684	100.0	42.5
Exceeds R 240 000 but not R 320 000	87 223	107.5	46.4
Exceeds R 320 000 but not R 400 000	105 822	115.0	54.5
Exceeds R 400 000 but not R 480 000	125 303	132.0	64.0
Exceeds R 480 000 but not R 560 000	144 784	136.5	79.5
Exceeds R 560 000	144 784	136.5	79.5

Deemed Expenditure – 2016

Cost of vehicle	Fixed R	Fuel c/km	Repairs c/km
Does not exceed R 80 000	26 105	78,7	29,3
Exceeds R 80 000 but not R 160 000	46 505	87,9	36,7
Exceeds R 160 000 but not R 240 000	66 976	95,5	40,4
Exceeds R 240 000 but not R 320 000	84 945	102,7	44,1
Exceeds R 320 000 but not R 400 000	102 974	109,9	51,8
Exceeds R 400 000 but not R 480 000	121 886	126,1	60,8
Exceeds R 480 000 but not R 560 000	140 797	130,4	75,6
Exceeds R 560 000	140 797	130,4	75,6

Deductions

Reimbursed Travel Expenses

When an employee receives a reimbursement based on the actual business kilometres travelled and receives no other compensation in respect of the associated expenses, such reimbursement is not subject to tax, provided that the annual business travel does not exceed 8,000 kilometres and the rate per kilometre does not exceed the prescribed rate shown in the table below.

Tax year	2015	2016	2017
Maximum rate per kilometre paid (cents):	330	318	329

The value of the reimbursement is reflected under code 3703 on the IRP5 certificate and the employer is not required to withhold PAYE. However, if the employee's claimed business travel exceeds 8,000 kilometres for the year, or is reimbursed at a rate higher than the prescribed rate, or if the employee receives another form of compensation, the total amount must be reflected separately on the IRP5 certificate, using code 3702. PAYE on these amounts is withheld as and when they are paid to the employee.

Tax-Free Savings Accounts

From 1 March 2015, natural persons can invest in approved tax-free savings accounts. All returns derived in the form of interest, dividends and capital gains on the disposal of these investments are exempt from normal tax. Contributions to these types of investment vehicles are limited to R 30,000 per annum and a cumulative lifetime contribution of R 500,000. If a taxpayer's contributions exceed the prescribed annual and lifetime limits, he/she will be liable to pay a penalty of 40% on the excess amount (the income on the excess part of the investment is however still tax free).

Income Protection Policy Contributions

Policies owned by and paid for by an employer, for the benefit of the employee, spouse, child, dependant or nominee, gives rise to a taxable benefit for the employee.

Up until 28 February 2015, premiums that employers paid into employer-owned income protection policies were regarded as a taxable benefit of the same value as the premium. This taxable benefit was deemed a premium paid by the employee and the total premium paid by the employee (including any employee-paid premiums) was allowed as a tax deduction. Annuity or lump-sum payments from income protection policies were taxable.

From 1 March 2015 however, the rules changed and an employer's payment towards an income protection policy gives rise to a taxable benefit in the hands of the employee, and any contributions to an income protection policy by the employee is NOT tax deductible. Annuity or lump-sum payments from income protection policies are NOT taxable.

Deductions

Retirement Contributions

Alignment of Retirement Fund Contributions

From 1 March 2016, contributions by the employer in respect of an employee's pension, provident fund and retirement annuity fund will be considered to be a taxable benefit.

- An employee's total contribution, including deemed contributions arising from employer contribution taxable benefits, to retirement funds (pension, provident and retirement annuity funds) will enjoy a deduction limited to 27.5% of remuneration or taxable income (excluding lump-sums received), whichever is greater but capped at an annual limit of R 350 000.
- Excess contributions can be carried forward and are deemed to be incurred in the following tax year unless they have already been absorbed for other purposes.
- Withdrawals from pension and retirement annuity funds are subject to the one third lump-sum commutation and two-thirds annuity rules, except if the member's fund value does not exceed R 247,500, or the member is 55-years or older on 1 March 2016.
- The introduction of annuitisation of lump-sum withdrawals from provident funds has been deferred until 1 March 2018, pending the outcome of further negotiations between Government and Labour.
- Deductions available to employers will not be limited in respect of contributions made to these funds on the employee's behalf (previously limited to 20% of the employee's remuneration).
- Fund-to-fund transfers have no tax consequences but no transfers from pension to provident funds will be permitted before 1 March 2018.

Current Pension Fund Contributions

Limited to the greater of –

- 7,5% of remuneration from retirement funding* employment, or
- R 1 750.

* Remuneration from retirement-funding employment refers to income that is taken into account when determining contributions to a pension or provident fund.

Excess contributions may not be carried forward to the following year of assessment, but are accumulated to determine the tax-free portion of the lump-sum upon retirement.

Arrear Pension Fund Contributions

Policies owned by and paid for by an employer, for the benefit of the employee, spouse, child, dependant or nominee, gives rise to a taxable benefit for the employee.

Current Retirement Annuity Fund Contributions

Limited to the greater of –

- 15% of taxable income other than from retirement funding employment, or
- R 3 500 LESS current deductions to a pension fund, or
- R 1 750.

Excess contributions may be carried forward to the following year of assessment.

Deductions

Reinstated Retirement Annuity Fund Contributions

Up to a maximum of R 1 800 per year. Any excess over R 1 800 may be carried forward to the following year of assessment.

Retirement Fund Lump Sum Benefits

The taxable portion of a lump-sum withdrawn on resignation from a pension, provident or retirement annuity fund is determined by the amount withdrawn, after deducting any contributions that have not been allowed as a deduction and any amounts transferred to another fund, PLUS the value of all retirement fund lump sum benefits received or accrued on or after 1 October 2007, any retirement fund lump sum withdrawal benefits received or accrued on or after 1 March 2009 and any severance benefits received or accrued on or after 1 March 2011.

This amount is subject to tax at the rates below, LESS any tax paid in respect of any previous lump sums received or accrued.

Lump sums received or accruing between 1 March 2014 and 28 February 2017:

Taxable portion of lump sum	Rates of tax
R 0 - R 500 000	Nil
R 500 001 - R 700 000	18% of the amount over R 500 000
R 700 001 – R 1 050 000	R 36 000 + 27% of the amount over R 700 000
R 1 050 001 +	R 130 500 + 36% of the amount over R 1 050 000

The taxable lump sum cannot be set-off against an assessed loss.

Lump-sums received or accruing between 1 March 2011 and 28 February 2014:

Taxable portion of lump sum	Rates of tax
R 0 - R 315 000	Nil
R 315 001 - R 630 000	18% of the amount over R 315 000
R 630 001 - R 945 000	R 56 700 + 27% of the amount over R 630 000
R 945 001 +	R141 750 + 36% of the amount over R 945 000

Note: From 1 March 2011, certain severance benefits are also taxed in terms of this table.

Deductions

Retirement Fund Lump Sum Withdrawal Benefits

The taxable portion of a lump-sum withdrawn on resignation from a pension, provident or retirement annuity fund is determined by the amount withdrawn, after deducting any contributions that have not been allowed as a deduction and any amounts transferred to another fund, PLUS the value of all retirement fund lump sum benefits received or accrued on or after 1 October 2007, any retirement fund lump sum withdrawal benefits received or accrued on or after 1 March 2009 and any severance benefits received or accrued on or after 1 March 2011.

This amount is subject to tax at the rates below, LESS any tax paid on previous lump sums received or accrued.

Lump sums accruing between 1 March 2014 and 29 February 2017

Taxable portion of lump sum	Rates of tax
R 0 - R 25 000	Nil
R 25 001 – R 660 000	18% of the amount over R 25 000
R 660 001 – R 990 000	R 114 300 + 27% of taxable income above R 660 000
R 990 001 +	R 203 400 + 36% of the amount over R 990 000

*The taxable lump sum cannot be set-off against an assessed loss.

Lump sums received or accruing between 1 March 2009 and 28 February 2014:

Taxable portion of lump sum	Rates of tax
R 0 - R 22 500	Nil
R 22 501 – R 600 000	18% of the amount over R 22 500
R 600 001 – R 900 000	R 103 950 + 27% of the amount over R 600 000
R 900 001 +	R 184 950 + 36% of the amount over R 900 000

*The taxable lump sum cannot be set-off against an assessed loss.

Deductions

Restraint of Trade

Payments to natural persons (by virtue of employment or the holding of any office), labour brokers or personal service providers in respect of a restraint of trade agreement, must be included in the taxpayer's gross income in the year of receipt or accrual.

The person making a restraint of trade payment can deduct the amount over three years if the restraint period is shorter than three years, or over the period of the restraint, if longer. Deductions are not allowed if the expense failed to constitute income in the recipient's hands.

Arbitration Awards

Any amount a taxpayer receives in respect of an arbitration award, due to matters such as unfair dismissal and early termination of an employment contract, is taxable as remuneration.

Energy-Efficiency Savings Tax Incentive

The energy-efficiency savings tax incentive as contemplated in Section 12L (2) of the Income Tax Act, stipulates that any taxpayer in possession of a certificate that can prove genuine energy savings can claim an allowance of 95c/kwh from SARS. The allowance was extended to cogeneration projects.

Value Added Tax (VAT)

The current VAT rate is 14% and the VAT system provides for three different types of supplies:

- Standard-rated supplies – supplies of goods or services subject to the VAT rate in force at the time of supply.
- Exempt supplies – supplies of certain goods or services not subject to VAT. Vendors making exempt supplies only are not entitled to any input tax credits.
- Zero-rated supplies – supplies of certain goods or services subject to VAT at zero percent. Certain basic food items, e.g. brown bread, maize meal, stamp mealies, rice, dried mealies, dried beans, lentils, pilchards, etc., are zero-rated and vendors making zero-rated supplies only are entitled to input credits. The same applies to export sales and services, which are zero-rated subject to specific requirements. Supplies from South Africa to an Industrial Development Zone are treated as exports.

VAT Key Features

- Enterprises are obliged to register for VAT if the total taxable supplies in any consecutive 12-month period exceeded, or is likely to exceed, R1 million.
- A business may also choose to register for VAT voluntarily if its total taxable supplies in the preceding twelve month period exceeded R 50 000 (or R 120,000 in the case of commercial rental establishments).
- For years of assessment commencing on or after 1 March 2012, a registered micro business may also be registered as a vendor for VAT purposes.
- VAT returns are generally submitted every second month, except if the business' taxable supplies exceeds R30 million in any 12-month period, in which case returns are submitted monthly;
- Farmers with a turnover of less than R1.5 million may submit their VAT returns every six months.
- Property letting companies and trusts may, subject to certain requirements, submit annual VAT returns.
- Vendors may reclaim the VAT element on expenditure incurred to make taxable supplies except those in respect of:
    - club subscriptions;
    - entertainment; and
    - a motor car such as a sedan and double-cab type motor vehicles (including hiring).
- Certain fee-based financial services are not exempt but subject to VAT at 14%.
- Input tax credits may not be claimed in the course of making exempt supplies.
- Generally, input tax credits may only be claimed upon receipt of a valid tax invoice; nput tax credits may only be claimed upon receipt of a valid tax invoice;
- A valid tax invoice where the VAT inclusive total exceeds R 5 000 must reflect the words "tax invoice", "VAT invoice" or "invoice", the name, address and VAT registration number of the recipient and supplier, a description and quantity of the goods and/or services, the consideration of the supply, VAT amount or the percentage of VAT included in the consideration and,
- Normally a vendor accounts for VAT on an invoice basis. However, if the taxable supplies in a 12-month period are likely to be less than R 2,5million and the vendor is a natural person or an unincorporated body of persons whose members are natural persons, the vendor can apply to account for VAT on the payment basis.

Value Added Tax (VAT)

- A business may request SARS to cancel its VAT registration if the total taxable supplies in a period of twelve months, falls below R1 million, or if all business activities have ceased.
- Businesses deregistering as VAT vendors due to the increase in the VAT registration threshold or a change in the legislation may generally be allowed to pay the exit VAT over a period.
- Private individuals, non-registered vendors, or registered vendors that utilise imported services not to make taxable supplies must account for VAT to SARS on the value of the imported service.

VAT Relief

For developers: From 10 January 2012, property developers who let residential property prior to a sale because they are unable to sell it due to a lack of demand can enjoy temporary relief from the VAT change in use rules. This relief is applicable for a period not exceeding 36 months per unit, where the deemed change in use will apply, based on the market value of the property at the time. The concession is currently valid until 1 January 2018.

Inter-group: Vendors of the same group of companies does not have to account for VAT included in outstanding debt in excess of 12 months. However, the supplying group company may not claim an input tax on the bad debt write off where the debtor is part of the same group of companies.

Dividends Tax

From 1 April 2012, Dividends Tax is levied at a rate of 15% (subject to any reduction in terms of a double taxation agreement) on dividends paid by all South African resident companies and non-resident companies listed on the JSE.

Dividend

From 1 January 2011, the definition of a dividend was simplified and includes all distributions to a shareholder, except amongst others, a reduction of contributed tax capital, capitalisation issues and a JSE listed company's general share buy-back.

Contributed Tax Capital (CTC)

The CTC of a company is a notional amount, being an amount equal to the sum of untainted share capital and share premium prior to 1 January 2011, plus the amount of any consideration received for the issue of shares thereafter less any amount of CTC distributed. CTC must be maintained separately per class of share. The definition of CTC distinguishes between non-resident companies, who become resident, and other companies.

The distribution of CTC is not regarded as a dividend if the company's directors document in writing that the distribution is made from CTC prior to the payment of the distribution.

Interest-Free Loans

Low-interest or interest-free loans and advances from a company to a resident natural person or trust that is a connected person can be regarded as a deemed dividend. The deemed dividend is the difference in value between the interest amount at the official interest rate and the interest amount at the rate charged by the company.

Exemptions from Dividends Tax

A dividend is exempt from Dividends Tax if the beneficial owner is among others:

- a South African company;
- the government and various quasi government institutions;
- public benefit organisations (PBOs);
- pension, provident and similar funds;
- medical schemes;
- environmental rehabilitation trusts;
- a shareholder in a registered micro business (limited to the first R200 000 of dividends paid during a particular year of assessment);
- a non-resident where the dividend is paid by a South African listed non-resident company; and
- a natural person or deceased estate or insolvent estate of that person in respect of a dividend paid in respect of a tax free investment.

Where the dividend comprises of a dividend in specie, similar exemptions as above apply as well.

Dividends Tax

Withholding Tax Obligations

- Dividends Tax is payable at the end of the month following the month in which the dividend was paid. This obligation is transferred if the dividend is paid to a regulated intermediary such as central securities depository participants, brokers, collective investment schemes, approved transfer secretaries and linked investment service providers.
- Dividends Tax can be eliminated or reduced if the shareholder submits a written declaration in respect of double taxation agreement relief or for being entitled to an exemption and undertakes to inform the company in the event that circumstances change, prior to the date of payment of the dividend.
- Dividends in specie remain a liability of the company declaring the dividend but could also be eliminated or reduced if the relevant declarations and undertakings are delivered in time.
- From 16 January 2014, both the company paying the dividend and the company receiving the dividend are required to submit a Dividends Tax return.

Capital Gains Tax (CGT)

What is a Capital Gain or Loss?
A capital gain or loss is calculated separately for each asset disposed, and is the difference between the proceeds and the base cost.

What is Base Cost?
Base cost includes the costs incurred in acquiring or disposing of an asset, including transfer duties, stamp duty, securities transfer tax and similar costs, compensation of advisers, consultants and agents as well as any costs to move an asset and improvement costs. Base cost does not include expenses deductible for income tax purposes, interest paid and raising fees (except in the case of listed shares and business assets), expenses incurred and subsequently recovered. Special rules apply to assets acquired prior to 1 October 2001.

When is CGT applicable?
The disposal of the following assets is subject to CGT on capital gains arising from disposals after 1 October 2001:

- Worldwide assets of South African residents;
- Non-residents' immovable property or any right or interest in a property and any asset of a permanent establishment through which a trade is carried on in South Africa. (A right or interest in a property includes a direct or indirect interest of no less than 20% - held alone or with any connected person - in the equity share capital of a company, where at least 80% of company's net asset value is attributable to immovable property in South Africa at the time of the disposal.)

What are disposals?
Disposals include assets that are sold, donated, abandoned, scrapped or lost, and vesting of an interest in an asset of a trust in the beneficiary, the distribution of an asset by a company to a shareholder, or the granting, renewal, extension or exercise of an option.

Deemed disposals further include the termination of South African residency, a change in the use of an asset, an asset no longer being part of a permanent establishment and the reduction or waiver of a debt, subject to certain exclusions.
However, when an asset offered as security for a debt is transferred or released, it is not considered a disposal. Nor is it a disposal in cases when an option to acquire a share, or debenture or unit trust is granted or issued, loans are granted, or when an asset-securing debt is released or transferred.

What are the exclusions, rebates and relief measures in respect of CGT?
Annual exclusion

- Natural persons and special trusts: R 40 000
- Natural persons in the year of death: R 300 000

Other exclusions

- A primary residence used for domestic residential purposes, owned by a natural person or a special trust. If the proceeds on disposal exceed R2 million, the amount exceeding R2 million is a taxable capital gain.
- Assets owned by a natural person or a special trust for personal use and not to carry on trade.
- Lump-sums from insurance and retirement benefits, except second-hand policies unless they are pure risk policies with no investment or surrender value.
- Small business assets of no more than R1,8 million provided that the person was a sole proprietor, partner or at least 10% shareholder for at least five years, is at least 55 years old, or suffers from ill-health, is infirm or deceased and the business' gross asset value is less than R10 million.
- Compensation, prizes and donations to certain PBO's.

Capital Gains Tax (CGT)

Rollover Relief
Capital gains are only recognised when an asset is ultimately disposed. In the case of a replacement asset, the gain can be spread over a period equal to which normal wear and tear is claimed for the asset and commences once the replacement asset is brought into use, unless it is disposed before. The rollover relief applies to the following:

- Certain involuntary disposals;
- Conversion of share block schemes to sectional title or full title;
- Replacement of qualifying business assets (excluding immovable property);
- Transfer of assets between spouses;

How are Capital Gains / Losses calculated?
Capital gains or losses are combined for a year of assessment and if the result is calculated to be a:

- capital loss, it is carried forward to the following year for set-off against subsequent capital gains; or
- net capital gain, it is multiplied by the inclusion rate and included in taxable income.

Inclusion Rates and Effective Rates

	Inclusion rate				Maximum effective rate			
	2012	**2013-2015**	**2016**	**2017**	**2012**	**2013-2015**	**2016**	**2017**
Individuals	25%	33,3%	33,3%	40%	10%	13,3%	13,7%	16,4%
Special Trusts	25%	33,3%	33,3%	40%	10%	13,3%	13,7%	16,4%
Companies	50%	66,6%	66,6%	80%	14%	18,7%	18,7%	22,4%
Trusts	50%	66,6%	66,6%	80%	20%	26,6%	27,3%	32,8%

Non-resident Sellers of Immovable Property and Withholding Tax
After 1 September 2007, if a non-resident disposes of immovable property in South Africa for more than R 2 million, the purchaser must withhold the following taxes from the proceeds (unless a directive to the contrary has been issued):

Non-resident seller	Rate
Natural person	5,0%
Company	7,5%
Trust	10,0%

Donations Tax

Donations tax is payable by South African residents within 3 months after the donation, at a rate of 20%. The donations tax provisions are not applicable to non-residents, even if they donate South African assets.

The value of any property disposed of gratuitously (also when disposed for an inadequate consideration) and value of the renounced rights is subject to donations tax, excluding property disposed of under a donation (amongst others):

- between spouses;
- by natural persons not exceeding R 100 000 per year;
- where the recipient will not benefit until the death of the donor;
- if such property is situated outside the Republic, provided that the donor acquired the property before becoming a South African resident for the first time, or by inheritance or donation from a non-resident;
- to charitable, ecclesiastical and educational institutions, and certain public bodies in the Republic (limited to certain thresholds);
- if such property is disposed of under and in pursuance of any trust;
- by companies not considered to be public companies up to R 10 000 per annum;
- made by companies which are recognised as public companies for tax purposes;
- between companies forming part of the same group of companies; and
- which is cancelled within six months of the effective date.

Donations to Section 18A Public Benefit Organisations

Donations to approved section 18A PBOs are exempt from donations tax and deductible for income tax as follows:

- Company donations are limited to 10% of taxable income.
- Individual donations are limited to 10% of taxable income, excluding any retirement fund lump sum benefits and before the deduction of donations and medical expenses.
- From 1 March 2014, any excess above the 10% cap above may be rolled over to subsequent tax years.
- Employees may also enjoy PAYE reductions when regular donations of no more than 5% of net remuneration are made through salary deductions.

Green Tax

Carbon Tax

The South African National Treasury published a The Draft Carbon Tax Bill for public comment on 2 November 2015, with the comment period ending on 15 December 2015. It proposes using carbon offsets as a cost effective mechanism to reduce greenhouse gas emissions and introducing carbon tax liabilities for taxpayers.

Tyre Levy

SARS has issued draft amendments to the tariffs and rules in the Customs and Excise Act for the introduction of an environmental levy on all tyres and intends to begin by taxing tyres, starting from 1 April 2016, at a rate of R 2.30 per kilogram.

Energy-Efficiency Savings Tax Incentive

The energy-efficiency savings tax incentive as contemplated in Section 12L (2) of the Income Tax Act, stipulates that any taxpayer in possession of a certificate that can prove genuine energy savings can claim an allowance of 95c/kwh from SARS. The allowance was extended to cogeneration projects.

Environmental" Deductions/Allowances

- Section 12B — Deduction in respect of certain machinery, plant, implements, utensils and articles used in framing or production of renewable energy
- Section 37A — Contributions made to a qualifying mining rehabilitation trust
- Section 37B — Deductions in respect of environmental expenditure
- Section 37C — Deductions in respect of environmental conservation
- Section 11D — Deduction for research and development costs
- Section 12 K — Exemption for Certified Emission Reductions
- Section 12 L — Special Allowance for Energy Efficiency Savings

Transfer Duty on Immovable Property

- Transfer duty is calculated on the value of immovable property (purchase price or market value whichever is the highest) and is payable by natural persons and legal entities.
- Transfer duty must be paid within six months after the transaction is entered into.
- No transfer duty is payable if the transaction is subject to VAT.
- If a VAT vendor purchases property from a non-vendor, the notional input tax is limited to the value of the lower of the property's selling price or open market value multiplied by the tax fraction (presently 14/114). A notional input tax credit can only be claimed when the purchase price is paid and the property is registered by the Deeds Office.
- Exemptions apply to corporate restructuring transactions.
- The acquisition of a contingent right in a trust that holds a residential property or the shares in a company or the member's interest in a close corporation that owns residential property, comprising more than 50% of its assets, is subject to transfer duty at the applicable rate.
- The entity's liabilities are disregarded when calculating the fair value of the contingent right in the trust, the shares in the company or the member's interest in the close corporation.
- Residential property includes dwellings, holiday homes, apartments and similar abodes, improved and unimproved properties, zoned for residential purposes. It excludes a structure of five or more units, rented by five or more unconnected persons as well as any immovable property that is part of a VAT vendor's enterprise.

Transfer duty is calculated as follows for all persons:

Property value	Rates of tax
R0 – R 750 000	0%
R 750 001 – R 1 250 000	3% of the value above R 750 000
R 1 250 001 – R 1 750 000	R 15 000 plus 6% of the value over R 1 250 000
R 1 750 001 – R 2 250 000	R 45 000 plus 8% of the value over R 1 750 000
R 2 250 001 – R 10 000 000	R 85 000 plus 11% of the value over R 2 250 000
R 10 000 001 and above	R937 500 + 13% of the value over R10 000 000

Securities Transfer Tax

Securities Transfer Tax (STT) is imposed at a rate of 0.25% upon the transfer of securities. The 0.25% is based on the consideration or market value (whichever is greater) at the time of the transfer, cancellation or redemption. STT is not applicable to the original issue of shares.

STT is payable by the:

- 14th of the month following the month during which the transfer occurred on listed securities;
- end of the second month following the end of the month during which the transfer occurred on unlisted securities.
- If not paid in full within the prescribed period, interest is imposed at the prescribed rate and a 10% penalty is payable.

Stamp Duty

No stamp duty is payable on leases of immovable property entered into after 1 April 2009.

Companies

Company Tax Rates

Resident Companies (Excluding Personal Service Providers)

For years of assessment ending during the following periods:	Tax rate
1 April 1994 - 31 March 1999	35%
1 April 1999 - 31 March 2005	30%
1 April 2005 - 31 March 2008	29%
1 April 2008 - 31 March 2017	28%

Secondary Tax on Companies (STC)

Dividend declared between:	Tax rate
17 March 1993 and 21 June 1994	15%
22 June 1994 and 13 March	25%
14 March 1996 and 30 September 2007	12.5%
1 October 2007 and 31 March 2012	10%

STC credits expired on 1 April 2015 and all unutilised credits forfeited.

Dividends Tax

Dividend declared:	Tax rate
From 1 April 2012	15%

See more Dividends Tax.

Companies

Effective Tax Rates of Resident Companies

	2013 (Prior to 1 April 2012	2013 (From 1 April 2012), 2014-2017
	R	R
Taxable income	100.00	100.00
Less: Normal tax	28.00	28.00
Available for distribution	72.00	72.00
Less: Dividend	65.45	72.00
Less: STC	6.55	n/a
Retained	0	0
Total tax	34.55	38.80
Normal tax	28.00	28.00
STC	6.55	n/a
Dividends tax	n/a	10.80
Effective rate	34.55%	38.80%

Assumes all profits are declared as a dividend.

Non-Resident Companies / Branch Profits

For years of assessment ending during the following periods:	Tax rate
1 April 1994 - 31 March 1999	40%
1 April 1999 - 31 March 2005	35%
1 April 2005 - 31 March 2008	34%
1 April 2008 - 31 March 2012	33%
1 April 2012 - 31 March 2017	28%

Companies

Personal Service Providers

For years of assessment ending during the following periods:	Tax rate
1 April 2011 - 31 March 2012	33%
From 1 April 2012	28%

Small Business Corporations

Definition
Small business corporation tax rates apply if:

- the company is a close corporation or private company, but is not a personal service provider or an employment entity;
- its gross income is less than R 20million during the year of assessment (2013: R 14million);
- during the year of assessment, none of the shareholders and members held shares in private companies or members' interest in close corporations or more than 5% interest in cooperatives, unless those private companies have assets of less than R 5,000 and are inactive or have taken steps to liquidate, wind up or deregister (from 1 January 2011);
- less than 20% of the sum of gross income and capital gains is derived from investment income and income from rendering a personal service.
    - o Investment income refers to local or foreign dividends (from 1 April 2012) and any pro ceeds derived from investment or trading in financial instruments, marketable securities or any annuity, interest, rental income from immovable property, royalty or any income of a similar nature.

Small Business Corporations Tax Rates
Years of assessment ending between 1 April 2016 and 31 March 2017:

Taxable income	Rates of tax
R 0 - R 75 000	Nil
R 75 000 – R 365 000	7% of the amount over R 75 000
R 365 001 – R 550 000	R 20 300 + 21% of the amount over R 365 000
R 550 001 +	R 59 150 + 28% of the amount over R 550 000

Companies

Years of assessment ending between 1 April 2015 and 31 March 2016:

Taxable income	Rates of tax
R 0 - R 73 650	Nil
R 73 651 – R 365 000	7% of the amount over R 73 650
R 365 001 – R 550 000	R 20 395 + 21% of the amount over R 365 000
R 550 001 +	R 59 245 + 28% of the amount over R 550 000

Turnover Tax for Micro Businesses

Definition
Turnover tax for micro businesses was introduced from 1 March 2009 as a simplified tax system substituting income tax and capital gains tax (CGT) for small sole proprietors, partnerships and incorporated businesses with a turnover of less than R1 million per year.

This tax treatment is elective and for years of assessment commencing on or after 1 March 2012, a micro business can voluntarily exit the system.

Personal services entities and certain professional services are excluded from this system.

Micro Businesses Tax Rates

Years of assessment ending between 1 April 2016 and 31 March 2017:

Taxable income	Rates of tax
R 0 - R 335 000	Nil
R 335 001 - R 500 000	1% of the amount over R 335 000
R 500 001 - R 750 000	R 1 650 + 2% of the amount over R 500 000
R 750 001 – R 1 000 000	R 6 650 + 3% of the amount over R 750 000

Companies

Years of assessment ending between 1 April 2015 and 31 March 2016:

Taxable income	Rates of tax
R 0 - R 335 000	Nil
R 335 001 - R 500 000	1% of the amount over R 335 000
R 500 001 - R 750 000	R 1 650 + 2% of the amount over R 500 000
R 750 001 – R 1 000 000	R 6 650 + 3% of the amount over R 750 000

Public Benefit Organisations (PBO)

Definition
A public benefit organisation (PBO) carries out certain defined and approved public benefit activities in a non-profit manner substantially in South Africa. These activities need to qualify in one or more of the following categories:

- welfare and humanitarian *
- health care *
- and and housing *
- education and development *
- conservation, environment and animal welfare *
- religion, belief or philosophy
- cultural
- research and consumer rights
- sport
- providing funds, assets or other resources
- support services to other PBO's
- hosting certain international events.

* These activities qualify for section 18A status.

Public Benefit Organisations (PBO) Tax Rates
- Approved PBOs are exempt from provisional tax.
- A PBO's annual trading income is exempt from income tax, limited to the greater of 5% of total receipts and accruals, or R 200 000.
- Income in excess of this exemption is subject to tax at a rate of 28%, or 40% depending on the PBO's tax status.

Donations to approved section 18A PBOs are exempt from donations tax and deductible for income tax as follows:
- Company donations are limited to 10% of taxable income;
- Individual donations are limited to 10% of taxable income, excluding any retirement fund lump sum benefits;
- Any excess above the 10% cap above may be rolled over to subsequent tax years.

Companies

Farming Tax

The First schedule of the Income Tax Act regulates farming taxes. The main paragraphs include:

2 – 5 & 9	Valuation of livestock and produce	13	Forced sales and drought relief
6 – 7	Election of standard values	14 – 16	Plantation farming
8	Ring-fencing of livestock acquisitions	17	Sugar cane destroyed by fire
8	Donations and in specie dividends	17	Rating formula for farmers (who are natural persons)
12	Capital development expenditure	20	Expropriation of farming land

Some important sections from the First schedule are:

Valuation of Livestock and Produce
Only livestock and produce need to be brought into account at year end and not consumables like seed, fertiliser, fuel etc. Produce are valued at the lowest of average cost of production or market value. Livestock can be valued at standard values or the farmer may elect own values which may not differ more than 20% of standard values (once a value has chosen, it must be used consistently).

Purchases of livestock cannot create a loss because of using standard values. This gross loss must be carried forward to the next year. The current standard values are:

Cattle:	Bulls R50, Oxen R40, Cows R40 Tollies and heifers: 1 – 2 years old R14, 2 – 3 years old R30, Calves R4
Sheep:	Wethers, rams and ewes R6, weaned lambs R 2
Goats:	Weaned kids 2, fully grown R4
Pigs:	Under 6 months (weaned) R6, over 6 months R12
Poultry:	Over 9 months R1
Horses:	Stallions over 4 years R40, Mares over 4 years and Geldings over 3 years R30, Colts and fillies 3 years R10, Colts and fillies 2 years R8, Colts and fillies 1 year R6, Foals under 1 year R2
Donkeys:	Jacks and jennies over 3 years R4, Jacks and jennies under 3 years R2
Mules:	4 years and over R30, 3 years R20, 2 years R14, 1 year R6
Ostriches:	Fully grown R6
Chinchillas:	All ages R1

Capital development expenditure
The following capital development expenditure may be deducted in full against farming income during a year of assessment:

- eradication of noxious plants and alien invasive vegetation, and soil erosion prevention.

Companies

The following capital development expenditure is restricted to the taxable income from farming during a year of assessment:

- additions, erection of, extensions and improvements to farm buildings (not for domestic use);
- building of roads and bridges for farming operations;
- carrying of electric power from main power lines to farm machinery and equipment;
- costs of establishing the area for and the planting of trees, shrubs and perennial plants;
- dams, irrigation schemes, boreholes and pumping plants;
- dipping tanks; and
- fences.

Any expenditure exceeding taxable income from farming is carried forward to the following year of assessment.

Special depreciation allowance
Machinery, implements, utensils and articles for farming purposes are written off over three years on a 50:30:20 basis. Normal wear and tear may be claimed for passenger motor vehicles, caravans, aircraft (excluding crop spraying aircraft) or office furniture and equipment.

Rating formula
Farmers may choose to be taxed in terms of a rating formula because their income fluctuates from year-to-year. This means the farmer's tax is calculated based on the average taxable income and losses in the current year and preceding four years. Special arrangements are applicable to farmers in their first year of farming, where taxable income comprises 2/3rds of actual farming income.

Once a farmer has chosen the rating formula, he is bound to it in future and not entitled to provisions relating to government's livestock reduction schemes, rating formula for plantation farmers and provisions relating to sugar cane farmers.

Other
Special provisions exist for forced sales as result of drought, disease, plague, special drought relief schemes, plantation farming and sugar cane farming or fire.

Recreational Clubs
A recreational club is a non-profit organisation that provides social and recreational services or facilities for its members. The greater of 5% of the club's total membership fees and subscriptions due and payable by members, or R 120 000 is exempt and any income in excess thereof is taxed at a rate of 28%.

Body Corporates
Sectional title body corporates and share block companies are:
- exempt from provisional tax;
- exempt from income tax in respect of levies received;
- exempt from income tax in respect of all other receipts and accruals up to a maximum of R 50 000;
- axed at a rate of 28% on income in excess of this exemption.

Employees

Pay As You Earn (PAYE)

Employees' remuneration is subject to a monthly PAYE deduction. In addition to salaries and commissions, PAYE is also payable on:

- 80% of a travel allowance, which may be reduced to 20% if the employer is satisfied that at least 80% of the employee's travel is for business;
- Earnings of private companies' directors (including members of close corporations) in respect of their services;
- Remuneration paid to labour brokers/personal service providers;
- Annuity payments from annuity funds.

Directors PAYE

The PAYE in respect of remuneration paid to directors of private companies and members of close corporations is calculated using the following formula:

The balance of remuneration paid or accrued in the last year of assessment, after the deduction of pension and retirement annuity contributions, lump sum awards from the employer, benefits (including withdrawals) from retirement funds and share incentive benefits.	÷	Number of completed months during which the director/ member was employed by the company/ close corporation during the last year of assessment.

- PAYE is withheld on actual or deemed remuneration, whichever is greater.
- The formula does not apply to directors of private companies and members of close corporations earning more than 75% of their remuneration in the form of fixed monthly payments.

Skills Development Levy (SDL)

- Employers must pay Skills Development Levy at a rate of 1% of the total remuneration paid to employees.
- Employers with an annual remuneration bill less than R 500 000 are exempt from SDL (from 1 August 2005).
- Directors' remuneration is subject to the SDL on a similar basis as the PAYE calculation.

Unemployment Insurance Fund (UIF)

Employers must pay Unemployment Insurance Fund Contributions at 1% of employees' remuneration below R 14 872 per month by the employer and the same by the employee.

Employers not registered for PAYE or SDL pay their contributions to the Unemployment Insurance Commissioner.

Deductions, Allowances and Incentives

Broad-Based Economic Empowerment
Employers can issue qualifying shares to a cumulative limit of R 50 000 per employee for the current tax year and the four prior tax years. The employer enjoys a tax deduction limited to R 10 000 per employee and the employees will be liable for income tax on a gain made on disposal of the shares, except if the shares are sold after five years in which case it would be a gain for CGT purposes.

Bursaries and Scholarships
Bona fide bursaries or scholarships are tax-exempt when it enables a person to study at a recognised educational institution. If the bursary or scholarship is granted to an employee, the cost will only be exempt if the employee agrees to repay the employer for the cost, should the employee fail to complete his /her studies for reasons other than death, ill-health or injury. It will also be exempt in instances when the bursary is granted to a relative of an employee earning less than R 400 000 per year and the value of the bursary is less than R 15 000 up to NQF level 4 (i.e. Grade 12), and R 40 000 for further education.

Corporate Transactions
Certain corporate transactions qualify for roll-over tax relief. These include:
- Asset for share transactions, including share-for-share transactions;
- Amalgamation and unbundling transactions;
- Intra-group transactions;
- Liquidation, winding up or deregistration transactions within a group;
- Transactions involving specific controlled foreign companies.

Learnership Allowances
Employers may claim learnership allowances for registered learnerships entered into before 1 October 2016 in addition to the normal remuneration deduction. Government is considering extending this by one year.

For years of assessment ending on or after 1 January 2010:
- The taxpayer may a recurring annual allowance of R 30 000 and a completion allowance claimable at the end of the learnership of R 30 000. If the learnership exceeds 24 months, the completion allowance is claimed cumulatively for every completed year.
- Where a learnership is terminated in under 12 full months, the employer will be entitled to a pro-rata portion of the annual allowance, regardless of the reason for termination of the learnership.
- The annual and completion allowances for disabled learners are R 50 000 each.

Leasehold Improvements
The actual value or fair and reasonable value of improvements made by a lessee to a leasehold property according to a lease agreement must be included in the income of the lessor. The lessee may deduct the expenditure over the lease period. The lessor may discount the value of the improvements over the lease period or 25 years, whichever is the shorter.

Limitation of Interest Deduction
From 1 April 2014, the interest deduction in respect of debt that arises as result of corporate restructures is limited through a formula. Excess interest may not be carried over to the next tax year and the interest deduction limitation must be applied in the year of the restructure and the five years thereafter.

If the interest recipient is exempt from tax in South Africa, or is a foreign person not subject to tax in the South Africa, a limitation is placed on the interest deduction from 1 January 2015. The limitation is only applicable in cases when the transactional parties are in a controlling relationship, i.e. if a person directly or indirectly holds more than 50% of the equity shares or voting rights.

A formula is used to determine the interest deduction any excess interest may be carried over to the next tax year.

This is generally applicable to instances when interest is paid to a PBO or foreign person.

Patent and Intellectual Property
Allowances may be claimed in respect of the cost of acquiring any invention, patent, design, copyright and other property of a similar nature or knowledge.

- f the cost exceeds R 5 000, the allowance is limited to 5% of the cost in respect of any invention, patent, copyright or other property of a similar nature, and 10% of the cost of any design or other property of a similar nature.
- If it was acquired from a connected person, the allowance is limited to the cost to the connected seller, less allowances claimed by the seller plus recoupments and CGT included in the seller's income.

Pre-Trade Expenditure
Expenditure and losses actually incurred before commencement and in preparation of a specific trade that would normally be deductible from income, including section 24J interest, can be deducted from the income of that trade. The deduction is restricted to that trade income and maynot be set off against income from any other trade. The balance is carried forward and can be claimed in a subsequent year of assessment.

Pre-Production Interest
Prior to 1 January 2012, interest and related finance charges were only deductible once the asset was brought into use to produce income. These expenses are now deductible as pre-trading expenditure and relates to costs incurred on any borrowing for the acquisition, installation or construction of any machinery, plant, building or improvements to a building or other assets, including land.

Relocation of an Employee
The following expenses an employer incurs in respect of the relocation, appointment or termination of an employee are exempt from tax:

- transportation of the employee, members of his/ her household and personal possessions;
- hiring temporary residential accommodation for the employee and members of the household for up to 183 days after relocation;
- other related costs, such as new school uniforms, replacement of curtains, bond registration and cancellation fees, legal fees, transfer duty, motor vehicle registration fees and estate agents commission on the sale of the previous residence.

Expenses that do not qualify for this exemption include the loss on sale of the previous residence and architect's fees for design of or alterations to a new residence.

Deductions, Allowances and Incentives

Royalties Paid to Non-Residents
From 1 January 2009, no deduction is allowed in respect of royalty payments to non-residents if the intellectual property was:

- at any time wholly or partly owned by the taxpayer or another South African resident, or
- developed by the taxpayer or a connected person who is a resident.

If the royalty amount is subject to a withholding tax rate of 10%, one-third of the royalty amount qualifies as a deduction.

If the royalty amount is subject to a withholding tax rate of 15%, half of the royalty amount qualifies as a deduction.

Research and Development (R&D)
Specific incentive allowances are available for qualifying research and development expenditure whereby 150% of the operating expenses are deductible.

Prior to 1 January 2014:

- Expenditure incurred solely and directly relating to separately identifiable research and development activities qualify for an automatic deduction of 100%;
- An additional 50% deduction of this expenditure is subject to pre-approval by the Department of Science and Technology.

From 1 January 2014:

- Research and development excludes:
    - o internal business processes used by connected parties;
    - o routine testing, analysis, collecting of information and quality control;
    - o market research, market testing or sales promotion;
    - o the creation or development of financial instruments or products;
    - o the creation or enhancement of trademarks or goodwill.

The Department of Science and Technology must approve the entire 150% deduction, but only expenditure incurred on or after the date the application is received, will be eligible for this deduction.

Research and development capital assets are written off as follows:

- o new and unused machinery or plant on a 50:30:20 basis (40:20:20:20 prior to 1 January 2012);
- o buildings or improvements at 5% per year.

Special Economic Zones (SEZs)
Once Gazetted, companies operating in a special economic zone and generating at least 90% of its income within the defined zone will qualify for:

- A lower company tax rate of 15%;
- An enhanced new and unused building allowance at a rate of 10%;
- An enhanced employment incentive for all employees, regardless of their age, earning less than R 60 000 per annum.

This incentive will cease to apply from 1 January 2024 or 10 years after a business commences trade in a special economic zone.

Deductions, Allowances and Incentives

Strategic Allowances

Asset type and conditions for annual allowance	Annual allowance
Strategic projects Some preferred qualifying strategic projects approved between 31 July 2001 and 31 July 2005 qualify for an additional industrial investment allowance on new and unused assets. The allowance is limited to the income derived from the project, and subject to certain other limits, the excess is deductible in the next tax year.	100% of cost
Any other qualifying strategic projects	50% of cost
Pipelines New and unused structures that were contracted and construction started on or after 23 February 2000	10% of cost
Electricity and telephone transmission lines and railway tracks New and unused structures that were contracted and construction started on or after 23 February 2000	5% of cost
Airport and port assets New and unused assets or improvements used directly and solely for purpose of business as airport, terminal or transport operation or port authority on or after 1 January 2008 and	5% of cost
Rolling stock Brought into use on or after 1 January 2008	20% of cost
Environmental assets New and unused assets for environmental treatment and recycling put to use from 8 January 2008 onwards. Environmental waste disposal assets of a permanent nature	40% in 1st year 20% in each of the 3 subsequent years 5% of cost
Energy efficiency savings All forms of energy efficiency savings as reflected on an energy savings certificate, for any year of assessment ending before 1 January 2020	Determined according to a formula

Environmental Expenditure

Expenditure incurred in respect of conserving or maintaining land that is carried out under a biodiversity management agreement with a duration of at least five years is deductible. If the land in question is owned by the taxpayer and the duration is at least 30 years, the expenditure incurred is deemed as a donation to the Government, which qualifies as a deduction under section 18A. In circumstances that the land is declared a national park, it is deemed that an annual donation is made, which qualifies for a section 18A deduction. The deduction is deemed as the lesser of cost or market value of the land and is applicable to the year in which the land is declared as national park and for the subsequent nine years. If the taxpayer breaches the agreement, the deductions may be recouped.

Industrial Policy Projects

Approved brownfield project expansions or upgrades, greenfield projects for new and unused manufacturing items qualify for an additional investment allowance. This allowance is 55% for preferred projects and 35% for non-preferred projects, subject to certain limits and if these projects are undertaken in industrial development zones, the allowances are increased to 100% and 75% respectively. An additional project related training allowance is available at R 36 000 per employee per annum for a period of six years, limited to R30 million for preferred projects and R20 million for non-preferred projects.

Capital Incentive Allowances

Asset type and conditions for annual allowance	Annual allowance
Industrial buildings or improvements Cost of buildings or improvements, provided these are used fully wholly or mainly for manufacturing or similar processes	
Cost incurred after 1 January 1989	5% of cost
Cost incurred 1 July 1996 to 30 September 1999 and buildings or improvements brought into use before 31 March 2000	10% of cost
From 1 April 2012, new or unused buildings used for research and development also qualify for these allowances	
New Commercial Buildings Cost incurred from 1 April 2007 to erect any new and unused building, or improve an existing building used wholly or mainly to produce an income in the course of trade. Allowance is available to owners as users of the building or as lessors/ financiers	5% of cost
Taxpayer acquires part of a new and unused building to be used wholly or mainly to produce an income in the course of trade	55% x 5% of cost
Taxpayer acquires part of a building with new and unused improvements to be used wholly or mainly to produce an income	30% x 5% of cost of improvement
Residential Buildings Buildings erected on or after 1 April 1982 before 21 October 2008 intended for letting, or occupation by bona fide full-time employees and consisting of at least five units with more than one room	Initial allowance: 10% 2% of cost
New and unused buildings acquired, erected or improved from 21 October 2008 onwards, situated in South Africa and owned by the taxpayer use either in trade - letting or as employee accommodation	Normal unit: 5% of cost Low cost* unit: 10% of cost *residential units < R 300 000 apartment < R 350 000

Capital Incentive Allowances continued...

Asset type and conditions for annual allowance	Annual allowance
New and unused buildings consisting of at least five units acquired in South Africa and used by the taxpayer in trade	Normal unit: 55% x 5% Low cost unit: 55% x 10%
Buildings consisting of at least five units acquired with new and unused improvements in South Africa and used by the taxpayer in trade	Normal unit: 30% x 5% Low cost unit: 30% x 10%
Designated Urban Areas – Commercial and Residential buildings Refurbishment of existing building (excluding low-cost residential units)	20% of cost
Construction of new buildings and existing building extensions (excluding low-cost residential units). Includes costs such as demolishing, land excavating, providing water, power or parking, drainage, security, or waste disposal services and access to the building	20% in 1st year 8% in each of 10 subsequent years
Low-cost residential units: Taxpayer incurs cost relating to new buildings or extensions/ additions to existing buildings	Year 1: 25% of cost Year 2 – 6: 13% of cost Year 7: 10% of cost
Low-cost residential units: Taxpayer incurs cost relating to improvements to existing buildings where the structure is preserved	Year 1: 25% of cost Year 2 – 4: 25% of cost
Low-cost residential units: Taxpayer purchases new buildings or existing buildings with extensions/ additions from a developer	Year 1: 55% x 25% of cost Year 2 – 6: 55% x 13% of cost Year 55% x 7: 10% of cost
Low-cost residential units: Taxpayer purchases existing buildings with improvements where the structure is preserved from a developer	Year 1: 30% x 25% of the cost Year 2 – 4: 30% x 25% of cost
Hotel Buildings Building construction or improvements if used in hotel trade	5% of cost
Refurbishment and improvements within the existing building framework	20% of cost

Deductions, Allowances and Incentives

Capital Incentive Allowances

Asset type and conditions for annual allowance	Annual allowance
Employee Housing Loans Allowance on amounts owing on interest-free housing loans relating to low cost residential loans units a taxpayer has sold to employees that are subject to repurchase at cost only if the employee defaults or terminates employment	10% of amount owing at the end of each year of assessment
Plant and Machinery New or unused plant or machinery brought into use from 1 March 2002 onwards	Year 1: 40% of cost Year 2 – 4: 20% of cost per year
Used manufacturing assets	20% of cost
Small business corporations: New or unused plant or machinery brought into use from 1 April 2001 onwards and used directly in manufacturing process	100% of cost
Note: From 1 April 2012, new or unused assets used for research and development also qualify for these allowances. Plant and machinery used in the manufacturing, or similar process, are subject to the allowances and not the wear and tear rates	
Hotel Equipment Machinery, implements, utensils or articles in use from or after 16 December 1989	20% of cost
Farming Equipment and Assets Used in Production of Renewable Energy Machinery, implements, utensils or articles (other than livestock) in use since or after 1 July 1988. Biodiesel plant and machinery brought into use after 1 April 2003	Year 1: 50% of cost Year 2: 30% of cost Year 3: 20% of cost
Non-Manufacturing Assets Small business corporations: Acquired on or after 1 April 2005	Year 1: 50% of cost Year 2: 30% of cost Year 3: 20% of cost
Aircraft and Ships Aircraft used for purposes of trade and acquired on or after 1 April 1995. South African registered ships used for prospecting, mining or as a foreign-going ship, acquired on or after 1 April 1995. (Recoupments of allowances can be deducted from the cost of the replacement asset)	20% of cost
Licences Expenditure to acquire a licence from a government body to perform telecommunication services, exploration, production or distribution of petroleum or provide gambling facilities (excludes infrastructure).	Evenly over the licence period for a maximum of 30 years

Deductions, Allowances and Incentives

Venture Capital Investments
From 1 July 2009, a taxpayer may deduct 100% of the cost of shares issued by a venture capital company, which SARS approved as a qualifying company and satisfies a number of pre-conditions. However, there were specific limitations:

- natural person: deduction may not exceed R 750 000 in a year of assessment or a total of R 2 250 000;
- listed company and any company held 70% directly or indirectly by a listed company: deduction may not exceed the cost of up to 40% of the total equity interest in the venture capital company.

From 1 January 2012, there are no limits to the amount of the deduction for any taxpayer if the:

- expenditure is in respect of an investment in equity shares;
- investor is not a connected person after making the investment and is genuinely exposed to the risk of economic loss in the event of failure of the venture.

Youth Employment Tax Incentive
From 1 January 2014, a special incentive is allowed as a credit against the employer's monthly PAYE payment to encourage employment creation for the youth (i.e. employees between the ages of 18 and 29 years). The incentive will cease to apply by 1 January 2017.

To qualify for the incentive employers must be tax compliant and registered for PAYE. Employers disqualified by the Minister of Finance and government or municipal entities are not eligible for the incentive.

Qualifying employees are:

- newly employed on or after 1 October 2013;
- between the ages of 18 and 30;
- in possession of a valid South African bar-coded ID or asylum seeker permit;
- not domestic workers;
- not related or connected to the employer;
- earning at least R 2 000 per month, or the minimum amount stipulated by the regulated industry, but less than R 6 000 per month.

The credit is determined for each qualifying employee as follows:

Monthly earnings	Per month during the first 12 months of employment	Per month during the next 12 months of employment
R 0 – R 2 000	50% of monthly remuneration	25% of monthly remuneration
R 2 001 – R 4 000	R 1 000	R 500
R 4 001 – R 6 000	R 1 000 - (0,5 x (Monthly Remuneration – R 4 000))	R 500 - (0,25 x (Monthly Remuneration – R 4 000)

If the tax credit exceeds the employer's PAYE liability, the excess amount is refundable provided the employer is tax compliant.

From 1 March 2015, employers are entitled to claim the full incentive as set out above in respect of an employee, employed full-time and working more than 160 hours per month. If the employee's work hours are less than 160 hours per month, the incentive has to be apportioned.

Residence-Based Taxation

From 1 January 2001, residents are taxed on their worldwide income, subject to certain exclusions.

Definition of Resident

- A company or trust incorporated, established, formed or that has its place of effective management in South Africa.
- A natural person who is:
    - o ordinarily resident in South Africa; or
    - o not ordinarily resident in South Africa but who is physically present in South Africa for at least 91 days in the current and each of the preceding five tax years, and who was physically present for at least 915 days during the five preceding tax years.

Exclusions

- o A person, who was previously a resident by virtue of the physical presence test but has been outside of South Africa for more than 330 consecutive full days from date of departure, is not a resident.
- o A person deemed a resident of a foreign country in terms of a double taxation agreement (DTA)

Exemptions

- o South African resident employees who render services outside the country to any employer for periods in aggregate of more than 183 days in a year, of which more than 60 days are continuous.
- o Foreign pension and social security payments.

Double Taxation Agreements

Double taxation occurs when two countries have the right to tax the same income and these agreements seek to eliminate double taxation. South Africa has negotiated double taxation agreements with several countries and these can be viewed on www.sars.gov.za. See also Double Taxation Agreements.

Controlled Foreign Entities

- A Controlled Foreign Company (CFC) means any foreign company, other than a headquarter company, where more than 50% of the total participation rights or voting rights are directly or indirectly under the control of one or more residents.
- From 1 April 2012, residents holding between 10% and 20% of a foreign company may no longer choose to treat the company as a CFC.
- Subject to some exclusions, residents must include in his income the result of:
- Net income of CFC x Resident's participation rights in the CFC / Total participation rights in the CFC
- The net income of a CFC is calculated as if the CFC is a South African taxpayer. If the calculation results in a loss, the deductions are limited to income and the excess is carried forward.
- Losses incurred through a business outside South Africa cannot be set-off against income in South Africa.
- The foreign tax amount payable must be converted to rands on the last day of the tax year using the tax year's average exchange rate.

- However, foreign income is converted to rands using the spot exchange rate on the date when the income accrues. Natural persons and non-trading trusts may opt to apply the average exchange rate for that tax year instead.
- If a country restricts the remittance of foreign income, the income is included in the resident's gross income in the tax year when that amount can be remitted to South Africa
- Tax withheld in a foreign country in respect of South African sourced income (except for income from services rendered in South Africa) may be deducted against the income and is not used as a rebate against South African tax payable on that income.

Exemptions
- Subject to some exclusions, the net income (including capital gains) a CFC derived from *bona fide* foreign business.
- From 1 January 2016, diversionary rules relating to CFC inward and outbound sales will included in the CFC net income calculation even when the income relates to a foreign business establishment.
- Income of the CFC is taxed normally in South Africa.
- Foreign dividends paid from another CFC where the income from which the declared dividend has already been included in the resident's taxable income under the CFC rules.
- Net income from interest, royalties or similar income paid from foreign companies forming part of the same group.
- Situations when the combined foreign taxes payable by the CFC is at least 75% of South African tax amount that would have applied had the CFC been a South African taxpayer.
- In order to protect the tax base it has been proposed in the 2016 budget speech that an adjustment for foreign group losses in the calculation for high-tax CFC exemption be deleted.

Foreign Tax Rebates
- A rebate is allowed in respect of any foreign taxes paid or payable to a foreign government in respect of any foreign sourced income or capital gain, the proportionate amount of the net income of a CFC, foreign dividends, or other attributable amounts. The rebate is limited to the actual foreign tax payable and may not exceed:
- Total normal South African tax x Taxable foreign income / Total taxable income
- If the foreign tax paid exceeds the limit, any excess foreign tax may be carried forward as a rebate for a maximum of seven years.
- From years of assessment commencing on/after 1 January 2012, foreign taxes withheld on income in respect of services rendered in South Africa may not be claimed as a rebate, subject to the completion and submission of declarations to SARS. This rebate has been withdrawn with effect from years of assessment commencing on or after 1 January 2016.

Foreign Dividends
- Foreign dividends received from a non–resident company are taxable, except if:
    - o the dividends were received by a resident holding at least 10% of the equity shares and voting rights in the foreign company;
    - o the shareholder is a company resident in the same country as the foreign company paying the dividend;
    - o the dividends are declared by a company listed on the SA stock exchange (from 1 March 2014 dividends in specie are included);
    - o the dividends are paid from the profits of a foreign company if these profits have been included in the South African shareholders income in terms of the CFC provisions.

Residence-Based Taxation

- Foreign dividends that are not exempt will partly be exempt from tax:
  - o Individuals and trusts: 26/41 or 63% of the foreign dividend received;
  - o Companies: 13/28 or 46% of the foreign dividend received.
- Residents are entitled to a credit in respect of withholding taxes paid in respect on foreign dividends that are not fully exempt, if these dividends were included in gross income.
- From 1 April 2012, no deduction is allowed for interest incurred in the production of foreign dividends.

Headquarter Companies
Headquarter company rules apply from years of assessment commencing on or after 1 January 2011 and offer for several benefits, including:

- its subsidiaries are not treated as controlled foreign companies;
- dividends declared are not subject to dividends tax;
- no application of thin capitalisation or transfer pricing rules in respect of back-to-back cross-border loans;
- exemption from the pending withholding tax on interest in respect of back-to-back loans.

From 1 January 2011, a special regional investment fund rule is applicable whereby qualifying foreign investors are regarded as passive investors with no exposure to South African tax when using a South African portfolio manager.

Exchange Control Regulations: Residents

Individuals: Foreign Investment Allowance
Individuals, older than 18 years who obtain a tax clearance certificate from SARS may invest R11 million per calendar year (prior to 1 April 2015: R4 million per calendar year) in a foreign country. Any income that accrues may also be held abroad. To invest more than R11 million, individuals must apply to the FinSurv Department of the Reserve Bank.

Individuals: Single Discretionary Allowance
Persons under the age of 18 have a travel allowance of R 200 000 (2010: R 160 000) per calendar year.

Persons over the age of 18 have a single discretionary allowance of R1 million (2010: R 750 000) per calendar year, without the requirement of obtaining a tax clearance certificate, to be allocated to expenses including donations to missionaries, maintenance, alimony and child support, gifts and loans, travel, study, wedding expenses and foreign capital allowance.
Applications in excess of the R1 million will be considered on a case-by-case basis.

Specialised Medical/Dental Expenses Abroad
If original documentary evidence of expenses is provided, there is no limit.

Emigration Limits
Emigrants who have not fully utilised the foreign investment allowance are permitted to increase the allowance to:

- R20 million (before 1 April 2015: R8 million) per calendar year per family unit
- R 10 million (before 1 April 2015: R4 million) per calendar year per single emigrant

Household and personal and other effects (excluding coins which are legal tender in South Africa) may be exported within an overall insured value of R2 million per family unit or single emigrant.

In addition, a travel allowance subject to the single discretionary allowance limit of R 1 million per emigrant per calendar year (R 200 000 for emigrants under the age of 18), may be accorded within 60 days prior to departure.

Working Abroad
Income earned while physically working abroad may be retained offshore.

Technology, Media, Telecommunications and Research and Development Companies
Unlisted technology, media, telecommunications, exploration and other research and development companies may apply to FinSurv for approval for an offshore primary listing or to raise foreign loans and capital for their operations.

Offshore Secondary Listings
JSE-listed companies may secondary list and/or list depository receipt programmes on foreign stock exchanges to facilitate both local and offshore foreign direct investment expansions.

Exchange Control Regulations: Residents

Outbound Investments by Companies
South African companies are allowed to make bona fide new outward direct investments outside their current line of business, but not passive investments. These companies are permitted to acquire between 10% and 20% equity and / or voting rights in a foreign target entity that may hold investments and/or make loans into any common monetary area country. Authorised dealers (approved commercial banks) may approve investments of up to R1 billion (before 1 April 2015: R500 million) per calendar year. For amounts exceeding this limit, approval is required from FinSurv.

Forward Cover
South African companies may cover forward up to 75% of budgeted import commitments or export accruals in respect of the forthcoming financial year without FinSurv approval.

Headquarter Companies
Foreign persons who have established headquarter companies in South Africa may, subject to registration with FinSurv, invest offshore without restriction, subject to certain shareholding and asset criteria.

South African Holding Company for African and Offshore Operations
JSE-listed and unlisted entities can now establish one subsidiary in South Africa to hold African and offshore operations, which, subject to certain conditions, will not be subject to foreign exchange restrictions.

2016 Special Voluntary Disclosure Programme In Respect Of Offshore Assets and Income
In the 2016 Budget Speech, the Minister of Finance introduced a Special Voluntary Disclosure Programme. This measure is offered as the last chance for residents to regularise their foreign undeclared assets before SARS is potentially made aware of these through the global exchange of information between tax authorities. In terms of this programme, non-compliant residents may voluntarily to regularise both their tax and exchange control affairs for a limited window period of six months commencing on 1 October 2016 and ending on 31 March 2017.

The Voluntary Disclosure Programme is available to individuals and entities. Persons who are subject to investigations by FinSurv, cannot enjoy any exchange control reliefs offered by this dispensation. Only exchange control irregularities existing as at 29 February 2016 will qualify.

The exchange control relief available for qualifying disclosures are as follows:

- Administrative relief.
- A levy limited to 5% of the market value of the regularised assets at 29 February 2016, if the assets or the proceeds from disposing of these assets are brought onshore.
- A levy limited to 10% of the market value of the regularised assets at 29 February 2016 if these assets are retained offshore.
- The above levies are increased by 2%, if these levies are funded by onshore assets.

Exchange Control Regulations: Non-Resident

Foreign Investment in South Africa
Non-residents' rights to invest in JSE-listed gilts and shares listed and export the proceeds on the sale thereof are unrestricted, provided that transactions are concluded at arm's length, at fair market-related prices, and are financed in an approved manner. Non-residents may similarly also invest in unlisted shares in South African resident companies. To export the proceeds from the disposal of shares, the relevant share certificates endorsed "Non-Resident" must be presented to an Authorised Dealer.

Interest and dividends paid to non-resident shareholders may also be freely transferred abroad. Loans by non-residents to South African residents are subject to specific criteria and recording rules. In particular, the rate of interest charged on these loans is subject to approval. While the amount of debt and the rate of interest may be approved, the transfer pricing provisions (Section 31) in the Income Tax Act must also be also considered.

Remittable Income
Some income earned by an emigrant on remaining South African assets can be freely be transferred abroad, after providing for income tax.

Directors Fees
Unlimited payments are allowed in respect of directors' fees paid to non-residents, even if they are emigrants, provided that requests are accompanied by proof of the remitting company's board resolution stipulating the amount payable and proof that the director is non-resident.

Dividend Payments
When dividends are declared by an affected person who has local financial assistance, the dividends are payable to non-resident shareholders in proportion to percentage shareholdings, provided that the distribution will not cause the entity to be placed in an over-borrowed position. An affected person is an entity, foundation, trust or partnership operating in South Africa where more than 75% of the participation or voting rights in those persons are for the benefit of a non-resident.

Emigrant shareholders are entitled to dividends declared out of income from normal trading activities after their date of emigration. Dividends declared out of capital gains, or out of income earned from normal trading activities prior to the date of emigration remain subject to blocked account provisions. Non-listed companies must meet additional requirements before transferring such dividends.

Inheritance
Non-residents are entitled to transfer their inheritance regardless of the residence status of the deceased. Former South African residents must have completed emigration formalities to qualify to transfer such inheritances.

Local Visits by Emigrants
There is no limit on the daily utilisation of the emigrants' South African funds during a visit although the funds may not be loaned to a South African resident. The funds may be used to pay for direct return airfares.

Guarantees
Financial assistance in the form of guarantees from non-residents, who are not affected persons, to South African residents is unlimited.

Exchange Control Regulations: Non-Residents

Local Financial Assistance

Local financial assistance subject to the 1:1 ratio is available to:

- Emigrants: where blocked rand balances or blocked rand assets are used as collateral
- Non-residents: if the borrowing is required for the acquisition of residential or commercial property in South Africa and/or for financial transactions.
- Authorised Dealers may authorise local financial assistance facilities to non-residents in respect of bona fide foreign direct investments into South Africa without restrictions.
- Affected persons (i.e. where non-residents directly or indirectly own 75% or more of an entity): if the borrowing is required for the acquisition of residential property in South Africa or for financial transactions.
- There is no restriction on the amount that could be borrowed locally when an affected person wishes to finance foreign direct investment into South Africa or domestic working capital requirements.
- Non-resident wholly owned subsidiaries: if the borrowing is required for the acquisition of residential property in South Africa or for financial transactions.

Capital Transactions

Proceeds from the sale of assets in South Africa may be remitted abroad. For emigrants, the proceeds will be subject to the blocked account provisions.

Taxation of Non-Residents

Withholding Taxes on Interest
Interest received by or accrued to a non-resident is exempt from normal tax unless the individual was physically present in South Africa for more than 183 days in aggregate, or carried on business through a permanent establishment in the country at any time during the previous 12-month period.

From 1 March 2015, where this exemption is applicable, a final withholding tax of 15% will be imposed on the earlier of interest paid or becoming due and payable to a non-resident from a South African source. This rate may be reduced in accordance with a double taxation agreement, except interest:

- payable by any sphere of the South African Government;
- arising on any listed debt instrument;
- arising on any debt owed by a bank, the DBSA, the IDC or the SARB;
- payable by a headquarter company where transfer pricing does not apply;
- payable by a local stockbroker to a non-resident.

The person paying the interest is obliged to withhold the tax unless in possession of a written declaration and undertaking confirming that the recipient is either entitled to an exemption, or to double taxation relief and that the recipient will inform the payer of the interest of any change of circumstances.

Withholding Taxes on Dividends
From 1 April 2012, dividends tax is due by all shareholders at a rate of 15%, subject to a reduction in the rate in terms of a double taxation agreement. See also Dividends Tax.

Withholding Taxes on Royalties
From 1 January 2015, royalties paid from a South African source to a non-resident are subject to a final withholding tax of 15% (previously 12), subject to a reduction in the rate in terms of a double taxation agreement.

Royalties are exempt from the withholding tax if:
- the non-resident natural person was physically present in South Africa for more than 183 days in aggregate during the 12 month period preceding the royalty payment date;
- the non-resident natural person, company or trust carried on business through a permanent establishment in South Africa during the 12 month period preceding the royalty payment date;
- the royalty is paid by a headquarter company and the intellectual property is sub-licenced to one or more or the foreign companies in which the headquarter company holds at least 10% of the equity and voting rights;

The person paying the royalty is obliged to withhold the tax unless in possession of a written declaration and undertaking confirming that the recipient is either entitled to an exemption, or to double taxation relief and that the recipient will inform the payer of the royalty of any change of circumstances. Residents must apply for Government and SARB approval for royalty payments to a non-resident.

Withholding Taxes on Service Fees
The proposed introduction of a withholding tax on service fee payments with effect from 1 January 2017 has been withdrawn, and will rather be dealt with via the reporting of large service fee payments to SARS in terms of the provisions of the tax administration reporting arrangements.

Taxation of Non-Residents

Non-Residents' Other Income
Non-residents are taxed on South African sourced income only. See also Capital Gains Tax (CGT).

Payment to Non-Resident Entertainers
A withholding tax of 15% on income earned in South Africa is payable by non-resident sports people and entertainers. In some instances, a Double Taxation Agreement (DTA) may provide for relief in respect of royalties, dividends and interest withholding taxes earned by non-resident entertainers. Where the individual or entity qualifies for relief under Articles 14 or 7 of the DTA, a directive should be obtained from SARS.

Trusts and Estates

Trust Tax Rates

Rate of tax	2015	2016	2017
Normal Trust - all taxable income	40%	41%	41%
Special Trust - all taxable income	Taxed at individual tax rates, but not entitled to any rebates.		

Special Trusts
Special trusts are created:

- solely for the benefit of a person affected by a mental illness or serious physical disability preventing the individual from earning sufficient and self-sustaining income. If the trust's beneficiary dies before or on the last day of the year of assessment, the trust is no longer regarded as a special trust;
- as a testamentary trust for the benefit of relatives related to the deceased where the youngest of the beneficiaries is under 18 years old on the last day of the tax year.

Trust Distributions
Distributions from trusts are taxed in accordance with the conduit principle. This means that the nature of the income that is distributed is retained and taxed accordingly in the hands of the beneficiary. Distributions are subject to certain deeming provisions that act as anti-avoidance mechanisms to counter certain tax avoidance or income splitting arrangements. The conduit principle is currently under review by Davis Commission.

Deeming Provisions
Anti-avoidance provisions exist to reduce the use of trusts for income splitting and tax avoidance schemes. These provisions will normally apply when income accrues to a person other than the donor by reason or by virtue of a donation, settlement or other disposition made (e.g. interest free loans). E.g. these provisions may apply where income accrues to the donor's spouse, minor children or to the trust that received a donation, settlement or other disposition and non-residents.
The result of these provisions is that the income that accrues to the persons mentioned above may be deemed as the donor's income.

Subject to certain conditions, the following deeming provisions apply to income and capital gains derived by trusts:

- When a trust's income or capital gain is attributable to any donation, settlement or other similar disposition (including the sale of an asset to a trust by way of an interest free loan) the income or capital gain or a portion thereof may be deemed to accrue to the donor, rather than any beneficiary to whom a distribution is made or the trust if the income or gains are not distributed.
- Capital gains that are distributed to an exempt person, e.g. a PBO or a recreational club are taxed in the hands of the trust.
- Capital gains that are distributed to a non-resident beneficiary are taxed in the hands of the trust.
- Income that is attributable to a donation or other similar disposition made by a resident donor to a non-resident person is deemed to accrue to the resident donor and is taxed in that donor's hands.

Trusts and Estates

Trust Losses
Losses incurred by a trust cannot be distributed to beneficiaries but are retained in the trust and carried forward to the next tax year as an assessed loss.

Foreign Trust Distributions to a South African Resident

- Income distributions are taxed as income in the hands of the South African resident;
- Distributions of capital gains by a foreign trust are taxed as a capital gain in the hands of a South African resident beneficiary;
- Capital distributions from accumulated income of a foreign trust are taxed as normal income in the hands of the South African beneficiary, if all of the following are applicable:
-
    - The beneficiary was listed as such in the year during which the income was earned;
    - The amount was not already taxed in South Africa; and
    - The amount would have constituted taxable income if the trust had been a South African resident trust.
- Similar rules apply in respect of capital gains or accumulated capital gains that are made by a foreign trust to South African beneficiaries.

Trust To Trust Distribution of a Capital Gain
Distributions of capital gains from a South African trust to a beneficiary that is a trust are taxed in the hands of the latter even if the capital gains are distributed to its discretionary beneficiaries.

New Developments
The conduit principle is currently under review by Davis Commission. Measures to limit the use of trusts for income-splitting and other tax avoidance measures are being considered by SARS.

Estate Duty

Estate duty is levied on the value of world-wide assets of a deceased that was ordinarily resident in South Africa. If the deceased was not ordinarily resident in SA at the date of death only South African assets are subject to estate duty.

Date of death	Exemptions	Rates of Estate Duty
Before 1 March 2006	first R 1 500 000	20%
On or after 1 March 2006	first R 2 500 000	20%
On or after 1 March 2007	first R 3 500 000	20%

From 1 January 2010, the first deceased spouse's unutilised portion of the rebate may be carried forward to the estate of the surviving spouse.

Exemptions from estate duty include bequests to a surviving spouse or a public benefit organisation (PBO).

Executors Remuneration
Subject to ratification by the Master, an executor is entitled to either of the following compensation (subject to VAT if the executor is registered as a vendor):

- the remuneration stipulated in the will; or
- 3.5% on the value of gross assets and 6% on income accrued and collected from date of death.

Interacting With SARS

Tax Clearance Certificates

A tax clearance certificate is only issued to taxpayers who are:

- registered for tax;
- with no tax debt outstanding (except if the debt has been suspended pending objection or appeal or is less than R 100); and
- there are no returns outstanding (unless arrangements are in place to submit those returns).

SARS must issue or decline the clearance within 21 business days from the application date.

Voluntary Disclosure Programme (VDP)

From 1 October 2012, taxpayers can make use of a permanent Voluntary Disclosure Programme to disclose information relating to the non-disclosure of income or the non-payment of tax voluntarily, before and after audit notifications.

The program relieves the burden of understatement penalties and the threat of criminal prosecution. An applicant remains liable for administrative and percentage-based penalties and interest in respect of underpayment or the late payments of taxes.

Dispute Resolution

- If a taxpayer does not agree with an assessment raised by SARS, the taxpayer may object to the assessment within 30 business days from the assessment date.
- If SARS do not provide detailed reasons for its decision to raise an additional assessment, the taxpayer has 30 business days to request such reasons from SARS.
- SARS must respond to the request within 45 business days.
- If the taxpayer is still not satisfied, a letter of objection, together with an ADR1/NOO1 form must be submitted to SARS within 30 business days from the date of assessment or from the date upon which a response to the taxpayer's request for reasons is received.
- SARS must deal with the objection within 60 business days.
- If the objection is disallowed, the taxpayer can appeal against such findings within 30 business days from the date of receiving the notice of disallowance. The matter will then be referred to the Income Tax Court for decision.

Penalties

Fixed Rate Penalties
SARS can impose fixed rate penalties for non–compliance with any procedural or administrative action or duty imposed or requested, for example failing to:

- register when required to do so;
- inform SARS of changes to registration details;
- file returns;
- retain records as required by SARS.

Fixed rate penalties can be imposed as per the following table:

Assessed Loss or taxable income for preceding year	Monthly penalty
Assessed loss	R 250
R 0 – R 250 000	R 250
R 250 001 – R 500 000	R 500
R 500 001 – R 1 000 000	R 1 000
R 1 000 001 – R 5 000 000	R 2 000
R 5 000 001 – R 10 000 000	R 4 000
R 10 000 001 – R 50 000 000	R 8 000
R 50 000 000 +	R 16 000

- These penalties are automatically imposed monthly, until the taxpayer remedies the non-compliance.
- This penalty is only applicable to taxpayers with more than one year's tax returns outstanding.

Percentage-based penalties
A number of percentage based penalties are is imposed in respect of the late payment of taxes, late submission of returns or the under-estimation of provisional tax estimates. This penalty is a percentage of the tax due in respect of late submission or the late payment of taxes. The following percentage based penalties will be imposed:

Tax type	Penalty percentage
Income tax	10% in certain circumstances (i.e. sec 35A)
Provisional tax	• 10% for the late or non-payment of provisional tax; • 20% if the provisional tax estimate was understated.
Employers and employees tax	• 10% if a return was not filed; • 10% if employees' tax, SDL and/or UIF was not paid by the due date;
Value-Added Tax	10% on the late payment of VAT

Penalties

Understatement Penalties
Where SARS has been prejudiced and an assessment is issued SARS will impose an understatement penalty in respect of the under-paid taxes.

Behaviour	Standard case	Obstructive or repeat case *	Voluntary disclosure after audit notification	Voluntary disclosure before audit notification
Substantial understatement – when the prejudice to SARS or the fiscus exceeds the greater of five percent of the amount of 'tax' properly chargeable or refundable for the relevant tax period, or R 1 000 000	10%	20%	5%	0%
Reasonable care not taken in completing return – a taxpayer is required to take the degree of care that a reasonable, ordinary person in the circumstances of the taxpayer would take to fulfil his or her tax obligations	25%	50%	15%	0%
No reasonable grounds for tax position – when the taxpayer does not have a reasonably arguable position.	50%	75%	25%	0%
Gross negligence – doing or not doing something in a way that, in all the circumstances suggests or implies complete, or a high level of disregard for the consequences. Gross negligence involves recklessness but does not require an element of wrongful intent to breach a tax obligation.	100%	125%	50%	5%
Intentional tax evasion – a wilful act that exists when a person's conduct is intended to disobey or wholly disregard a known legal obligation.	150%	200%	75%	10%

* Repeat case means a second or further case of any of the behaviours within five years of the previous case.

Penalties

Suspension of Payment
SARS may suspend tax payments pending an objection or appeal if the taxpayer formally applies for this. If granted, SARS may revoke the suspension if the taxpayer fails to lodge an objection, or if the objection is found to be frivolous or lodged in an attempt to delay the process, or if there is a material change in any of the factors previously considered.

Unless there is a risk of dissipation of assets by the taxpayer, SARS may not take any recovery proceedings from the date that the taxpayer submits the application until ten business days after the taxpayer has been informed of the outcome of the application.

Tax Season Deadlines

Income Tax Returns

	Individual	Company	Trust
Submitting tax returns manually	September	N/a	September
Non-provisional taxpayers filing via e-Filing	November	N/a	November
Provisional taxpayers filing via e-Filing	January	12 Months after year end	January

Provisional Tax

	Individual	Company	Trust
Provisional tax	31-Aug	6 Months after year end	31-Aug
Second provisional tax	last day of February	12 Months after year end	last day of February
Third provisional tax	30-Sep	6 Months after year end, if yearend is not in February. 7 Months after year end, if yearend is in February.	30-Sep January

VAT

	Individual	Company	Trust
Submitting VAT returns manually	On or before the 25th of the month following the VAT period		
Submitting and paying VAT returns via e-Filing	On or before the end of the month following the VAT period		

Tax Season Deadlines

Payroll

	Individual	Company	Trust
Annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax Certificates [IRP5/ IT3(a)]	29 May		
Interim/ Bi-annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax Certificates [IRP5/ IT3(a)]	30 October		
Monthly declaration (EMP201)	On or before the 7th of the month following the payroll month		

If any of the due dates fall on a weekend or public holiday, the returns must be submitted on the last preceding business day.

Schedules

Retention of Records – recommended Guidelines

Retention periods commence from the date of the last entry in the particular record

Document	Retention period
Companies Act	
Certificate of Change of Name Certificate to Commence Business Certificate of Incorporation/ Registration Certificate Memorandum and Articles of Association/ Incorporation Minute Book, CM25 and CM26 Register of company secretary and auditors Rules Share/ Securities Register and Uncertified Securities Register	Indefinite
Ancillary books of account Annual Financial Statements Books of Account and supporting schedules Copies of reports presented at the annual general meeting of the company Fixed Asset Registers Minutes and resolutions of directors' meetings, audit committee and directors' committees Notice and minutes of all shareholders meeting Record of past and present directors Written communication to holders of securities	7 years
Proxy Forms	3 years
Close Corporations Act	
Amended Founding Statement (CK2) Founding Statement (CK1) Minute Book and Resolutions Passed	Indefinite
Annual Financial Statements Books of Account and supporting schedules Fixed Asset Registers	15 years

Schedules

Document	Retention period
Income Tax and VAT Act	
Employees: Amount of remuneration paid or due to the employee; The amount of employees tax deducted or withheld from remuneration paid or due; The income tax reference number of that employee; Any further prescribed information; Employer Reconciliation return (EMP501)	
Records of importation of goods and documents: Bill of entry or other documents prescribed by the Custom and Excise Act; Proof of VAT charge payment to SARS.	5 years from date of submission of the return
VAT Vendors: Record of all goods and services, The tax rate applicable to the supply and the suppliers or their agents, Invoices and tax invoices,	
Credit and debit notes, Bank statements, Deposit slips, Stock lists Proof for zero rating of supplies.	
Other Suggested Periods of Retention (list is not exhaustive)	
Records of trust monies	15 years
Paid cheques and bills of exchange	6 years
Tax returns and assessments (after date of submission) Invoices – sales and purchases Bank statements and vouchers Stock sheets Documentary proof of zero rated supplies Year-end working papers VAT records Other vouchers and general correspondence	5 years
Staff personnel records (after employment ceased) Salary and wage registers	3 years

Companies or close corporations that reproduce their records on microfilm may destroy the original a period of three years. The microfilm copies must be retained indefinitely. The records, books of account and documents must be retained in their original form in a safe place, or electronic format as prescribed by the Commissioner or in a form authorised by a senior SARS official.

IRP5 Codes

Normal Income Codes	
3601	Income
3602	Income (Excl)
3603	Pension
3605	Annual Payment
3606	Commission
3608	Arbitration Award
3610	Annuity from a Retirement Annuity Fund
3611	Purchased Annuity
3613	Restraint of Trade
3614	Other Retirement Lump Sums
3615	Director's Remuneration
3616	Independent Contractors
3617	Labour Brokers (PAYE/IT)
3618	Compulsory Annuity from a Provident Fund
Allowance Codes	
3701	Travel Allowance
3702	Reimbursive Travel Allowance (IT)
3703	Reimbursive Travel Allowance (Excl)
3704	Subsistence Allowance - Local Travel (IT)
3707	Share Options Exercised (Section 8A)
3708	Public Office Allowance
3713	Other Allowances
3714	Other Allowance - (Excl)
3715	Subsistence Allowance - Foreign Travel (IT)
3717	Broad-Based Employee Share Plan (Section 8B)
3718	Employee Equity Instruments (Section 8C)

IRP5 Codes

Taxable Benefit Codes	
3801	General Taxable Benefits
3802	Right of Use of Motor Vehicle acquired by employer not by operating lease
3805	Accommodation
3806	Services
3808	Payment of Debt
3809	Bursaries or Scholarships
3810	Company Contribution to Medical Aid
3813	Cost related to Medical Services paid by Company
3815	Non-Taxable Bursaries or Scholarships to Employees and/or their Dependants
3816	Right of Use of Motor Vehicle acquired by employer by operating lease
3817	Pension Fund Contributions paid by employer for the employee
3818	Provident Fund Contributions paid by employer for the employee
3819	Retirement Annuity Contributions paid by employer for the employee
3820	Taxable Bursaries and Scholarships - Further Education
3821	Non-taxable Bursaries and Scholarships - Further Education
3822	Non-taxable Taxable Benefits on acquisition of immovable property
Gross Remuneration Codes	
3696	Gross Non-Taxable Income
3697	Gross Retirement Funding Employment Income
3698	Gross Non-Retirement Funding Employment Income
Lump Sum Codes	
3901	Gratuities (Retirement/Retrenchment or Death)
3906	Special Remuneration (e.g. proto-teams)
3907	Other Lump Sums (e.g. backdated salaries extended over previous tax year, non-approved funds)
3908	Surplus Apportionments on or after 1 January 2006
3909	Unclaimed Benefits paid by Fund prior to 1 March 2007

IRP5 Codes

3915	Pension, Provident or Retirement Annuity Fund Lump Sum Benefits paid on or after 1 October 2007; Lump Sum accruing on or after 28 February 2009; commutation of annuity on or after 1 March 2011
3920	Lump Sum Withdrawal Benefits from Retirement Funds after 28 February 2009
3921	Living Annuity and Section 15C Surplus Apportionments accruing after 28 February 2009
3922	Compensation in respect of death during employment
Deduction Codes	
4001	Current Pension Fund Contributions
4002	Arrear Pension Fund Contributions
4003	Current and Arrear Provident Fund Contributions
4005	Medical Aid Contributions paid by Employer or Pension Fund
4006	Current Retirement Annuity Fund Contributions
4007	Arrear (Re-Instated) Retirement Annuity Fund Contributions
4018	Loss of Income Policy Contributions
4024	Medical Services Costs Deemed paid for Immediate Family
4026	Arrear Pension Fund Contributions - Non-Statutory Forces
4030	Donations paid by the Employer to a PBO
4472	Employer's Pension Fund Contributions
4473	Employer's Provident Fund Contributions
4474	Employer's Medical Aid Contributions
4475	Employer's Retirement Annuity Fund Contributions
4493	Employer's Medical Aid Contributions i.r.o. Retired Employees
4497	Total Deductions

IRP5 Codes

Employees Tax Deduction and Reason Codes	
4101	SITE
4102	PAYE
4115	Tax on Retirement Lump Sum Benefits
4116	Medical Scheme Fees Tax Credit
4118	The sum of the Employment Tax Incentive
4141	UIF Employee and Employer Contribution
4142	SDL Contribution
4149	Total SDL and UIF
4150	01 - Invalid from March 2002
	02 - Earn Less than the Tax Threshold
	03 - Independent Contractor
	04 - Non-Taxable Earnings (including nil directive)
	05 - Exempt Foreign Employment Income
	06 - Director's Remuneration - Income Determined in the following Tax Year
	07 - Labour Broker with IRP30
	08 - No Tax Due to Medical Aid Tax Credit
Foreign Employment Income	
For employees with foreign employment income, the value of 50 is added to each relevant IRP5 code. Example: Code 3601 will become 3651 for Foreign Income.	

Wear and Tear Allowances

The following rates of wear and tear are allowed by SARS in terms of Interpretation Note 47:

Type of asset	No. of years	Type of asset	No. of years
Adding machines	6	Fax machines	3
Air-conditioners		Fertiliser spreaders	6
window	6	Firearms	6
mobile	5	Fire extinguishers (loose units)	5
room unit	10	Fire detections systems	3
Air-conditioning assets		Fishing vessels	12
absorption type chillers	25	Fitted carpets	6
air handling units	20	Food bins	4
centrifugal chillers	20	Food-conveying systems	4
cooling towers	15	Forklift trucks	4
condensing sets	15	Front-end loaders	4
Aircraft (light passenger or commercial helicopters)	4	Furniture and fittings	6
Arc welding equipment	6	Gantry cranes	6
Artefacts	25	Garden irrigation equipment (movable)	5
Balers	6	Gas cutting equipment	6
Battery chargers	5	Gas heaters and cookers	6
Bicycles	4	Gear boxes	4
Boilers	4	Gear shapers	6
Bulldozers	3	Generators (portable)	5
Bumping flaking	4	Generators (standby)	15
Carports	5	Graders	4
Cash registers	5	Grinding machines	6
Cell phone antennae	6	Guillotines	6
Cell phone masts	10	Gymnasium equipment	
Cellular telephones	2	Cardiovascular	2
Cheque-writing machines	6	Health testing	5
Cinema equipment	5	Weights and strength	4

Wear and Tear Allowances

Type of asset	No. of years	Type of asset	No. of years
Cold drink dispensers	6	Spinning	1
Communication systems	5	Other	10
Compressors	4	Hairdressers' equipment	5
Computers		Harvesters	6
mainframe/server	5	Heat dryers	6
personal	3	Heating equipment	6
Computer software (mainframes)		Hot-water systems	5
purchased	3	Incubators	6
self-developed	1	Ironing and pressing equipment	6
Computer software (personal computers)	2	Kitchen equipment	6
Concrete mixers portable	4	Knitting machines	6
Concrete transit mixers	3	Laboratory research	
Containers	10	equipment	5
Crop sprayers	6	Lathes	6
Curtains	5	Laundromat equipment	5
Debarking equipment	4	Law reports	5
Delivery vehicles	4	Lift installations	12
Demountable partitions	6	Medical theatre equipment	6
Dental and doctors' equipment	5	Milling machines	6
Dictaphones	3	Mobile caravans	5
Drilling equipment (water)	5	Mobile cranes	4
Drills	6	Mobile refrigeration units	4
Electric saws	6	Motors	4
Electrostatic copiers	6	Motorcycles	4
Engraving equipment	5	Motorised chain saws	4
Escalators	20	Motorised concrete mixers	3
Excavators	4	Motor mowers	5

Wear and Tear Allowances

Type of asset	No. of years	Type of asset	No. of years
Musical instruments	5	Sewing machines	6
Navigation systems	10	Shakers	4
Neon signs and advertising boards	10	Shop fittings	6
Office equipment		Solar energy units	5
electronic	3	Special patterns and tooling	2
mechanical	5	Spin dryers	6
Oxygen concentrators	3	Spot welding equipment	6
Ovens and heating devices	6	Staff training equipment	5
Ovens for heating food	6	Surge bins	4
Packaging equipment	4	Surveyors	
Paintings	25	field equipment	5
Pallets	4	instruments	10
Passenger cars	5	Tape recorders	5
Patterns, tooling and dies	3	Telephone equipment	5
Pellet mills	4	Television and advertising films	4
Perforating equipment	6	Television sets, video machines and decoders	6
Photocopying equipment	5	Textbooks	3
Photographic equipment	6	Tractors	4
Planers	6	Trailers	5
Pleasure craft	12	Traxcavators	4
Ploughs	6	Trollies	3
Portable safes	25	Trucks (heavy-duty)	3
Power tools (hand-operated)	5	Trucks (other)	4
Power supply	5	Truck-mounted cranes	4
Public address systems	5	Typewriters	6
Pumps	4	Vending machines (including video game machines)	6
Racehorses	4	Video cassettes	2

Wear and Tear Allowances

Type of asset	No. of years	Type of asset	No. of years
Radar systems	5	Warehouse racking	10
Radio communication	5	Washing machines	5
Refrigerated milk tankers	4	Water distillation and purification plant	12
Refrigeration equipment	6	Water tankers	4
Refrigerators	6	Water tanks	6
Runway lights	5	Weighbridges (movable parts)	10
Sanders	6	Wireline rods	1
Scales	5	Workshop equipment	5
Security systems removable	5	X-ray equipment	5
Seed separators	6		

Notes

1. Wear and tear may be claimed either by a diminishing value method or on a straight-line basis – each with specific requirements.
2. "Small" items, costing less than R 7 000 (2009: R 5 000) per item may be written off in full during the year of acquisition.
3. Costs incurred in moving business assets between different locations are capital in nature and therefore not deductible. Wear and tear may be claimed over the remaining useful life of the assets.
4. When an asset is acquired at no cost, a wear and tear allowance may be claimed on its market value at date of acquisition.
5. Up to 31 December 2012, wear and tear on any assets acquired from a connected person may only be claimed on the seller's original cost less any allowances claimed by the seller, plus recoupments and CGT included in the seller's income.

Finance Repayment Factors

The following table reflects repayments on every R 1 000 borrowed.

Short / Medium/ Long-Term Financing							
Rate	**36**	**48**	**60**	**10**	**20**	**25**	**30**
	Months			**Years**			
07,0%	30,88	23,95	19,08	11,61	07,75	07,07	06,65
07,5%	31,11	24,18	20,04	11,87	08,06	07,39	06,99
08,0%	31,34	24,41	20,28	12,13	08,36	07,72	07,34
08,5%	31,57	24,65	20,52	12,40	08,68	08,05	07,69
09,0%	31,80	24,89	20,76	12,67	09,00	08,39	08,05
09,5%	32,03	25,12	21,00	12,94	09,32	08,74	08,41
10,0%	32,27	25,36	21,25	13,22	09,65	09,09	08,78
10,5%	32,50	25,60	21,49	13,49	09,98	09,44	09,15
11,0%	32,74	25,85	21,74	13,78	10,32	09,80	09,52
11,5%	32,98	26,09	21,99	14,06	10,66	10,16	09,90
12,0%	33,21	26,33	22,24	14,35	11,01	10,53	10.29
12,5%	33,45	26,58	22,50	14,64	11,36	10,90	10,67
13,0%	33,69	26,83	22,75	14,93	11,72	11,28	11,06
13,5%	33,94	27,08	23,01	15,23	12,07	11,66	11,45
14,0%	34,18	27,33	23,27	15,53	12,44	12,04	11,85
14,5%	34,42	27,58	23,53	15,83	12,80	12,42	12,25
15,0%	34,67	27,83	23,79	16,13	13,17	12,81	12,64
15,5%	34,91	28,08	24,05	16,44	13,54	13,20	13,05
16,0%	35,16	28,34	24,32	16,75	13,91	13,59	13,45
16,5%	35,40	28,60	24,58	17,60	14,29	13,98	13,85

Interest Rates

Prime overdraft rates

Date of Change	Rate %	Date of Change	Rate %	Date of Change	Rate %
2004-08-16	11.00	2007-12-07	14.50	2010-03-26	10.00
2005-04-15	10.50	2008-04-11	15.00	2010-09-10	9.50
2006-06-08	11.00	2008-06-13	15.50	2010-11-19	9.00
2006-08-03	11.50	2008-12-12	15.00	2012-07-20	8.50
2006-10-13	12.00	2009-02-06	14.00	2014-01-30	9.00
2006-12-08	12.50	2009-03-25	13.00	2014-07-18	9.25
2007-06-08	13.00	2009-05-04	12.00	2015-07-24	9.50
2007-08-17	13.50	2009-05-29	11.00	2015-11-20	9.75
2007-10-12	14.00	2009-08-14	10.50	2016-01-29	10.25

Interest rates

Taxable Benefits		Late or Underpayments of Tax		Overpayments of Tax	
Date of Change	**Rate %**	**Date of Change**	**Rate %**	**Date of Change**	**Rate %**
1 June 2009	9.50%	1 July 2009	12.50%	1 July 2009	8.50%
1 July 2009	8.50%	1 August 2009	11.50%	1 Aug 2009	7.50%
1 September 2009	8.00%	1 September 2009	10.50%	1 September 2009	6.50%
1 October 2010	7.00%	30 June 2010	9.50%	1 July 2010	5.50%
1 March 2011	6.50%	1 March 2011	8.50%	1 March 2011	4.50%
1 August 2012	6.00%	1 May 2014	9.00%	1 May 2014	5.00%
1 February 2014	6.50%	1 November 2014	9.25%	1 November 2014	5.25%
1 August 2014	6.75%				

Withholding Taxes Summary

Double Taxation Agreements

Double taxation agreements provide relief in respect of royalties, dividends and interest withholding taxes.

	Royalties %	Dividends %	Interest %		Royalties %	Dividends %	Interest %
Non-Treaty Countries	**15**	**15**	**15**				
Treaty Countries							
Australia	5	5/15	10	Mauritius	0	5/15	0
Austria	0	5/15	0	Mexico	10	5/10	10
Belarus	5/10	5/15	5/10	Mozambique	5	8/15	8
Belgium	0	5/15	10	Namibia	10	5/15	10
Botswana	10	10/15	10	Netherlands	0	5/10	0
Brazil	10/15	10/15	10	New Zealand	10	5/15	10
Bulgaria	5/10	5/15	5	Nigeria	7,5	7,5/10	7,5
Canada	6/10	5/15	10	Norway	0	5/15	0
Croatia	5	5/10	0	Oman	8	5/10	0
Cyprus	0	0	0	Pakistan	10	10/15	10
Czech Republic	10	5/15	0	People's Republic of China	7/10	5	10
Democratic Republic of Congo	10	5/15	10	Poland	10	5/15	10
Denmark	0	5/15	0	Portugal	10	10/15	10
Egypt	15	15	12	Romania	15	15	15
Ethiopia	15	10	8	Russian Federation	0	10/15	10
Finland	0	5/15	0	Rwanda	10	10/15	10
France	0	5/15	0	Saudi Arabia	10	5/10	5
Germany	0	7,5/15	10	Seychelles	0	5/10	0
Ghana	10	5/15	5/10	Singapore	5	5/15	0
Greece	5/7	5/15	8	Slovak Republic	10	5/15	0

Withholding Taxes Summary

	Royalties %	Dividends %	Interest %		Royalties %	Dividends %	Interest %
Non-Treaty Countries	**15**	**15**	**15**				
Treaty Countries							
Hungary	0	5/15	0	Spain	5	5/15	5
India	10	10	10	Swaziland	10	10/15	10
Indonesia	10	10/15	10	Sweden	0	5/15	0
Iran	10	10	5	Switzerland	0	5/15	5
Ireland	0	5/10	0	Taiwan	10	5/15	10
Israel	0/15	15	15	Tanzania	10	10/15	10
Italy	6	5/15	10	Thailand	15	10/15	10/15
Japan	10	5/15	10	Tunisia	10	10	5/12
Korea	10	5/15	10	Turkey	10	10/15	10
Kuwait	10	0	0	Uganda	10	10/15	10
Lesotho	10	15	10	Ukraine	10	5/15	10
Luxembourg	0	5/15	0	United Kingdom	0	5/10/15	0
Malawi	15	15	15	USA	0	5/15	0
Malaysia	5	5/10	10	Zambia	15	15	15
Malta	10	5/10	10	Zimbabwe	15	15	15

Notes

1. These rates are a guide only. Refer to rates and other specifics regarding double tax agreements on www.sars.gov.za
2. In addition to the 15% withholding tax on royalties a withholding tax of 15% on interest paid to non-residents was introduced from 1 March 2015.
3. Tax information exchange agreements are in place with various countries, including (but not limited to) Argentina, Bahamas, Bermuda, Cayman Islands, Cook Islands, Gibraltar, Granada, Guernsey, Jersey, Liberia and San Marino and new agreements are being negotiated.

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Contact us

Income tax • International tax & transfer pricing • Indirect tax

Cape Town
Anton Kriel
T +27 (0)21 417-8731
E anton.kriel@za.gt.com

Chris Smith
T +27 (0)21 417-8766
E chris.smith@za.gt.com

Steve Curr
T +27 (0)21 417-8884
E steve.curr@za.gt.com

Durban
Ahmed Timol
T +27 (0)31 576-5500
E ahmed.timol@za.gt.com

George
Stef Lategan
T +27 (0)44 874-2320
E stef.lategan@za.gt.com

Johannesburg
Eugene du Plessis
Head of Tax
T +27 (0)10 590-7480
E eugene.duplessis@za.gt.com

AJ Jansen van Nieuwenhuizen
T +27 (0)10 590-7481
E aj@za.gt.com

Cliff Watson
T +27 (0)10 590-7478
E cliff.watson@za.gt.com

Done Howell
T +27 (0)10 590-7475
E done.howell@za.gt.com

Port Elizabeth
David Honeyball
T +27 (0)41 374-3222
E david.honeyball@za.gt.com

Pretoria
Nick Kyriacou
T +27 (0)12 346-1430
E nick.kyriacou@za.gt.com

Africa
John Lourenco
GTIL Regional Head: Tax
T +27 (0)10 590-7518
E john.lourenco@gti.gt.com

National marketing
Vanessa Evans
Senior National Manager
Marketing, Communications & BD
T +27 (0)10 590-7200
E vanessa.evans@za.gt.com

Contributors:
Anton Kriel, Barry Visser, Bruce Russell, Chris Smith, Christine Marincowitz, Cliff Watson, Doné Howell, Eugene du Plessis, Hylton Cameron, Louis van Manen, Mike Betts, Steve Curr.

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