This SARS pocket tax guide has been developed to provide a synopsis of the most important tax, duty and levy related information for 2016/17.

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (tax year ending 28 February 2017)

Individuals and special trusts

Taxable Income (R)	Rate of Tax (R)
0 – 188 000	18% of taxable income
188 001 – 293 600	33 840 + 26% of taxable income above 188 000
293 601 – 406 400	61 296 + 31% of taxable income above 293 600
406 401 – 550 100	96 264 + 36% of taxable income above 406 400
550 101 – 701 300	147 996 + 39% of taxable income above 550 100
701 301 and above	206 964 + 41% of taxable income above 701 300

Trusts other than special trusts:	Rate of Tax 41%

Tax Rebates and Tax Thresholds

Rebates	
Primary	R13 500
Secondary (Persons 65 and older)	R7 407
Tertiary (Persons 75 and older)	R2 466

Age	Tax Threshold
Below age 65	R75 000
Age 65 to below 75	R116 150
Age 75 and over	R129 850

Provisional Tax

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person's principal. An individual is exempt from the payment of provisional tax if he or she does not carry on any business and his or her taxable income –

- will not exceed the tax threshold for the tax year; or
- from interest, dividends, foreign dividends and rental from the letting of fixed property will be R30 000 or less for the tax year.

Provisional tax returns, showing an estimation of total taxable income for the tax year, are required from provisional taxpayers.

Deceased estates are not provisional taxpayers.

Retirement fund lump sum withdrawal benefits

Taxable Income (R)	Rate of Tax (R)
0 – 25 000	0% of taxable income
25 001 - 660 000	18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

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

Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to –

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

Retirement fund lump sum benefits or severance benefits

Taxable Income (R)	Rate of Tax (R)
0 – 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to attaining the age of 55 years, or an event such as sickness, an accident, injury, incapacity, or due to redundancy or termination of the employer's trade.

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

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

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

Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax at a rate of 15% is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from REITs (listed and regulated property owning companies) are subject to income tax. Non-residents in receipt of those dividends are only subject to dividends tax.

Foreign Dividends

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

Interest exemptions

- Interest from a South African source earned by any natural person under 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from taxation
- Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 182 days (or 183 days in a leap year) during the 12 month period before the interest accrues and the debt from which the interest arises is not effectively connected to a fixed place of business in South Africa of that non-resident.

Deductions

Retirement fund contributions

Amounts contributed to pension, provident and retirement annuity funds during a tax year are deductible by members of those funds. Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employee. The deduction is limited to 27.5% of the greater of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sums and severance benefits). Furthermore, the deduction is limited to a maximum of R350 000. Any contributions exceeding the limitations are carried forward to the next tax year and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off when determining taxable retirement fund lump sums or retirement annuities.

Medical and disability expenses

In determining tax payable, individuals are allowed to deduct –

- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R286 each for the individual who paid the contributions and the first dependant on the medical scheme and R192 for each additional dependant; and
- in the case of –
  - an individual who is 65 and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 33.3% of the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed three times the medical scheme fees tax credits for the tax year; or
  - any other individual, 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed four times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

Donations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

Allowances

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his or her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic of South Africa and the allowance or advance is granted to pay for—

- meals and incidental costs, an amount of R372 per day is deemed to have been expended
- incidental costs only, an amount of R115 for each day which falls within the period is deemed to have been expended.

Where the accommodation to which that allowance or advance relates is outside the Republic of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal & Policy / Secondary Legislation / Income Tax Notices / 2016.

Travelling allowance

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

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (¢/km)	Maintenance cost (¢/km)
0 - 80 000	26 675	82.4	30.8
80 001 - 160 000	47 644	92.0	38.6
160 001 - 240 000	68 684	100.0	42.5
240 001 - 320 000	87 223	107.5	46.4
320 001 - 400 000	105 822	115.0	54.5
400 001 - 480 000	125 303	132.0	64.0
480 001 - 560 000	144 784	136.5	79.5
exceeding 560 000	144 784	136.5	79.5

Note:

80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

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

The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

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

Alternatively:

Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 329 cents per kilometre, regardless of the value of the vehicle. However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Other deductions

Other than the deductions set out above an individual may only claim deductions against employment income or allowances in limited specified situations, e.g. bad debt in respect of salary.

Fringe Benefits

Employer-owned vehicles

- The taxable value is 3.5% of the determined value (the cash cost including VAT) per month of each vehicle.
- Where the vehicle is–
  - the subject of a maintenance plan when the employer acquired the vehicle the taxable value is 3.25% of the determined value; or
  - acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel
- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year

- On assessment further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

Interest-free or low-interest loans

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

Residential accommodation

The value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula or the cost to the employer if the employer does not have full ownership of the accommodation.

The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated Institutions.

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2016 and 31 March 2017

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

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2016 and 31 March 2017

Taxable Income (R)	Rate of Tax (R)
0 – 75 000	0% of taxable income
75 001 – 365 000	7% of taxable income above 75 000
365 001 – 550 000	20 300 + 21% of taxable income above 365 000
550 001 and above	59 150 + 28% of taxable income above 550 000

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TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 March 2016 and 28 February 2017

Taxable turnover (R)	Rate of tax (R)
0 – 335 000	0% of taxable turnover
335 001 – 500 000	1% of taxable turnover above 335 000
500 001 – 750 000	1 650 + 2% of taxable turnover above 500 000
750 001 and above	6 650 + 3% of taxable turnover above 750 000

RESIDENCE BASIS OF TAXATION

Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable. This is applicable to individuals, companies, close corporations, trusts and estates.

TAXATION OF CAPITAL GAINS

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

Maximum effective rate of tax:

Individuals and special trusts	16.4%
Companies	22.4%
Other trusts	32.8%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration. The following are some of the specific exclusions:

- R2 million gain or loss on the disposal of a primary residence
- most personal use assets
- retirement benefits
- payments in respect of original long-term insurance policies
- annual exclusion of R40 000 capital gain or capital loss is granted to individuals and special trusts
- small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of
- instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

DIVIDENDS TAX

Dividends tax is a final tax at a rate of 15% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

OTHER WITHHOLDING TAXES

In limited circumstances the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

Royalties

A final tax at a rate of 15% is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognised exchange.

Foreign entertainers and sportspersons

A final tax at the rate of 15% is imposed on gross amounts payable to non-residents for activities exercised by them in South Africa as entertainers or sportspersons.

Disposal of immovable property

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 5% for a non-resident individual, 7.5% for a non-resident company and 10% for a non-resident trust that is selling the immovable property.

OTHER TAXES DUTIES AND LEVIES

Value-Added Tax (VAT)

VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors.

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

Transfer Duty

Transfer duty is payable at the following rates on transactions which are not subject to VAT -

Acquisition of property by all persons:

Value of property (R)	Rate
0 – 750 000	0%
750 001 – 1 250 000	3% of the value above R750 000
1 250 001 – 1 750 000	R15 000 + 6% of the value above R 1 250 000
1 750 001 – 2 250 000	R45 000 + 8% of the value above R 1 750 000
2 250 001 – 10 000 000	R85 000 +11% of the value exceeding R2 250 000
10 000 001 and above	R937 500 +13% of the value exceeding R10 000 000

Estate Duty

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

A basic deduction of R3.5 million is allowed in the determination of an estate's liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

Donations Tax

- Donations tax is levied at a flat rate of 20% on the value of property donated
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total
- Dispositions between spouses and South African group companies and donations to certain public benefit organisations are exempt from donations tax.

Securities Transfer Tax

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

Tax on International Air Travel

R190 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.

Skills Development Levy

A skills development levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of Skills Development Levies.

Unemployment Insurance Contributions

Unemployment insurance contributions are payable monthly by employers on the basis of a contribution of 1 % by employers and 1 % by employees, based on employees' remuneration below a certain amount.

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

SARS INTEREST RATES

Rate of interest (from 1 February 2016)	Rate
Fringe benefits - interest-free or low-interest loan (official rate)	7.75% p.a.
Rates of interest (from 1 March 2016)	**Rate**
Late or underpayment of tax	9.75% p.a.
Refund of overpayment of provisional tax	5.75% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	9.75% p.a.
Refund of VAT after prescribed period	9.75% p.a.
Late payment of VAT	9.75% p.a.
Customs and Excise	9.75% p.a.

BUDGET HIGHLIGHTS

- Personal income tax relief of R5.65 billion
- Capital gains tax inclusion rate for individuals, special trusts and insurers' individual policyholder funds increases from 33.3% to 40%, and for other taxpayers from 66.6% to 80%
- Assets transferred through a loan to a trust are to be included in the estate of the founder at death and interest-free loans to trusts are to be treated as donations
- General fuel levy increases by 30 cents per litre on 6 April 2016
- Excise duties on alcoholic beverages increase by between 6.7% and 8.5%
- From 1 April 2016 the plastic bag levy is to increase from 6 cents to 8 cents per bag and the incandescent globe tax will Increase from R4 to R6 per globe
- A tyre levy at R2.30 per kilogram is to be introduced on 1 October 2016 and a tax on sugar-sweetened beverages on 1 April 2017.

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