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Authorised Financial Services Provider (FSP licence number 13566)

# **TAX GUIDE**

## *Tax Year 2019*

## Tax Rates, Thresholds and Rebates

<u>TAX RATES</u> INDIVIDUALS and SPECIAL TRUSTS - 2018 /2019 tax year				
Taxable income		Rates of tax		
R 0	R 195 850	18%	of each R1	
R 195 851	R 305 850	R 35 253	+ 26% of the amount over	R 195 850
R 305 851	R 423 300	R 63 853	+ 31% of the amount over	R 305 850
R 423 301	R 555 600	R 100 263	+ 36% of the amount over	R 423 300
R 555 601	R 708 310	R 147 891	+ 39% of the amount over	R 555 600
R 708 311	R 1 500 000	R 207 448	+ 41% of the amount over	R 708 310
R 1 500 001		R 532 041	+ 45% of the amount over	R 1 500 000

<u>TAX THRESHOLDS</u>		
	2018	2019
Below age 65	R 75 750	R 78 150
Age 65 to below 75	R 117 300	R 121 000
Age 75 and over	R 131 150	R 135 300

<u>TAX REBATES</u>		
	2018	2019
Primary rebate	R 13 635	R 14 067
Secondary rebate (Age 65 to below 75)	R 21 114	R 21 780
Tertiary rebate (Age 75 and over)	R 23 607	R 24 354

<u>Tax Rates</u>	
Trusts	45%
<u>Dividend Withholding Tax</u>	
Rate of	20%
<u>Interest Exemption</u>	
Below age 65	R23 800
Age 65 and older	R34 500



### Donations to Public Benefit Organisations

Donations to certain approved PBO's qualify for a tax deduction

**Companies and Trusts** - limited to 10% of taxable income before the deduction of donations.

**Individuals** - limited to 10% of taxable income, excluding retirement lump sum payments and severance benefits, and before the deduction of donations. As from 1 March 2014, donations in excess of the 10% threshold may be carried forward to the next tax year.

## Capital Gains Tax

### Inclusion Rates and Effective Rates

	Inclusion rate			Maximum effective rate		
	2017	2018	2019	2017	2018	2019
Individuals	40.0%	40.0%	40.0%	16.4%	18.0%	18.0%
Special Trusts	40.0%	40.0%	40.0%	16.4%	18.0%	18.0%
Companies	80.0%	80.0%	80.0%	22.4%	22.4%	22.4%
Trusts	80.0%	80.0%	80.0%	32.8%	36.0%	36.0%

### Exclusions

Natural persons and special trusts (annual)	R40 000
Natural persons in the year of death	R300 000
Primary residence exclusion	R2 000 000

## Donations Tax

Donations Tax is payable at a rate of 20% on the value of any property disposed of gratuitously by a resident (natural person, corporate entity or trust). As from 1 March 2018, donations exceeding R30 million will be taxed at 25%. The tax is payable by the end of the month following the month in which the donation takes effect.

Donations by natural persons up to R100 000 per year are exempt from Donations Tax.

## Estate Duty

Rates	
First R30 million	20%
Above R30 million	25%

Estate Duty Exemptions
<ul style="list-style-type: none"> <li>Any bequest to a surviving spouse or a public benefit organisation</li> <li>The first R3.5 million.</li> <li>Where a surviving spouse dies on or after 1 January 2010, the estate of the surviving spouse will benefit from a double deduction at the time of the surviving spouse's death (i.e. twice the current R3.5 million), less the amount used by the estate of the predeceased spouse.</li> </ul>

## Retirement Tax Provisions

Contributions
<p><b>As from 1 March 2016</b></p> <p><b>Pension, Provident and Retirement Annuity Fund Contributions</b></p> <p>The total contributions to retirement funds are deductible but limited to 27,5% of the greater of remuneration or taxable income, including capital gains, but excluding lump sums, prior to the deduction for donations, capped at an annual limit of R350 000. Any excess may be carried forward.</p> <p>Contributions paid by the employer are taxed as a fringe benefit in the hands of the employee and are deemed to be contributions paid by the employee in order to calculate the allowable deduction.</p> <p>The employer deduction for contributions made to these funds on the employee's behalf is not subject to any limitation (2016 : 20% of remuneration).</p>
Annuitisation Rules
<p>Pension and retirement annuity funds are subject to the one-third lump sum and the two-thirds annuity rules unless the lump sum is below R247 500 (2016 : R75 000).</p> <p>As from 1 March 2019, lump sums from provident funds will be subject to annuitisation and apportioned to ensure contributions made prior to 1 March 2019 and the resultant growth may be paid out as a lump sum. Where the member will be at least 55 years old on 1 March 2019 the lump sum from the provident fund is not subject to the annuitisation rules.</p>



Withdrawals (pre-retirement)

**Revenue Laws Amendment Act**

**Pre-retirement withdrawals from retirement savings**

R0 - R25 000	To be taxed at 0%
<b>Balance is taxed according to a sliding scale</b>	
R25 001 - R660 000	To be taxed at 18% of the amount above R25 000
R660 001 - R990 000	To be taxed at R114 300 plus 27% of the amount above R660 000
R990 001 and above	To be taxed at R203 400 plus 36% of the amount above R990 000

Withdrawals (post-retirement)

**Pension Fund Act**

**Taxation of retirement fund lump sum benefits on retirement, death and retrenchment**

**2018 / 2019 Tax year**

R0 - R500 000	To be taxed at 0%
<b>Balance is taxed according to a sliding scale</b>	
R500 001 - R700 000	To be taxed at 18% of the amount above R500 000
R700 001 - R1 050 000	R36 000 plus 27% of the amount above R700 000
R1 050 001 and above	R130 500 plus 36% of the amount above R1 050 000

## Small Business Corporations

Your business applies for Small Business Corporation tax rates if:

- All shareholders or members throughout the year of assessment are natural persons who do not hold shares in any other private company or members' interest in any other close corporation or co-operative other than those which:
  - are inactive and have assets with a market value less than R5 000; or
  - have taken steps to liquidate, wind-up or deregister (effective for years of assessment commencing on or after 1 January 2011).
- Gross income for the year of assessment does not exceed R20 million.
- The company, close corporation or co-operative is not a personal service provider or venture capital company.
- Not more than 20% of the gross income and all capital gains consists collectively of **investment income** and income from the rendering of a **personal service**.

***Investment income** includes any annuity, interest, rental income from immovable property, royalty or any income of a similar nature, local dividends, foreign dividends (as from 1 April 2012) and any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities or immovable property.*

***Personal service** includes any service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draughtmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation or veterinary science, performed personally by any person who holds an interest in the company, co-operative or close corporation, except where such small business corporation employs three or more unconnected full-time employees for core operations throughout the year of assessment.*

TAX RATES		SMALL BUSINESS CORPORATIONS - 2018 / 2019 tax year		
Taxable income		Rates of tax		
R 0	R 78 150	0%	of taxable income	
R 78 151	R 365 000	7%	of taxable income over	R 78 150.00
R 365 001	R 550 000	R 20 080	+ 21% of the amount over	R 365 000.00
R 550 001	and above	R 58 930	+ 28% of the amount over	R 550 000.00

## Provisional Tax

*As per the SARS website.*

### What is provisional tax?

Provisional tax is not a separate tax from income tax. It is a method of paying the income tax liability in advance, to ensure that the taxpayer does not remain with a large tax debt on assessment. Provisional tax allows the tax liability to be spread over the relevant year of assessment. It requires the taxpayers to pay at least two amounts in advance, during the year of assessment, which are based on estimated taxable income. A third payment is optional after the end of the tax year, but before the issuing of the assessment by SARS. On assessment the provisional payments will be off-set against the liability for normal tax for the applicable year of assessment.

### Who is excluded from being a provisional taxpayer?

- approved public benefit organisations or recreational clubs that has been approved by the Commissioner in terms of s30 or s30A;
- body corporates, share block companies or certain associations of persons;
- Non-resident owners or charterers of ships or aircraft;
- Any natural person who does not earn any income from carrying on any business – provided that person's taxable income will not be more than the tax threshold (for 2019 tax year: for taxpayers below age of 65 - R78 150; age 65 to below 75 - R121 000 and age 75 and over - R135 300); or the taxable income of that person (earned from interest, foreign dividends, rental from letting of fixed property and remuneration from unregistered employer) will not be more than R30 000;
- A small business funding entity; and
- a deceased estate.