



# Tax Pocket Guide

2015 | 2016

AUDIT • TAX • ADVISORY

## INDIVIDUALS

Tax rates for Individuals, Deceased Estate and Special Trusts

**Year of assessment ending 29 February 2016**

| Taxable Income    | Rate of tax                                   |
|-------------------|---|
| R0 – R181900      | 18% of taxable income                         |
| R181901 – R284100 | R32742 + 26% of taxable income above R181900  |
| R284101 – R393200 | R59314 + 31% of taxable income above R284100  |
| R393201 – R550100 | R93135 + 36% of taxable income above R393200  |
| R550101 – R701300 | R149619 + 39% of taxable income above R550100 |
| R701301 and above | R208587 + 41% of taxable income above R701300 |

**Ordinary trusts (trust other than special trusts) are taxed at a flat rate of 41%**

**Year of assessment year ending 28 February 2015**

| Taxable Income    | Rate of tax                                   |
|-------------------|---|
| R0 – R174550      | 18% of taxable income                         |
| R174551 – R272700 | R31419 + 25% of taxable income above R174550  |
| R272701 – R377450 | R55957 + 30% of taxable income above R272700  |
| R377451 – R528000 | R87382 + 35% of taxable income above R377450  |
| R528001 – R673100 | R140074 + 38% of taxable income above R528000 |
| R673101 and above | R673101 + 40% of taxable income above R673100 |

**Ordinary trusts (trust other than special trusts) are taxed at a flat rate of 40%**

| Rebates                              | 2014/15 | 2015/16 |
|--------------------------------------|---------|---------|
| Primary (All individuals)            | R12726  | R13257  |
| *Secondary Rebate (Age 65 and older) | R7110   | R7407   |
| *Tertiary Rebate (Age 75 and older)  | R2367   | R2466   |

\* In addition to Primary Rebate

| Tax Thresholds   | 2014/15 | 2015/16 |
|------------------|---------|---------|
| Below age 65     | R70700  | R73650  |
| Age 65 and older | R110200 | R114800 |
| Age 75 and older | R123350 | R128500 |

## EXEMPTIONS FROM TAXABLE INCOME FOR INDIVIDUALS

### Local interest and dividend

Individuals under the age of 65 years: R23800 p.a.  
Individuals over the age of 65 years: R34500 p.a.

Local Dividends are fully exempt from income tax in the hands of the shareholder, (Read in conjunction with Withholding tax)

### Foreign interest and dividend

Interest that is earned by non-resident is exempt, if the non-resident was physically present in South Africa for less than 183 days during the 12-month period preceding the date on which the interest is received or accrued to the non-resident. Interest paid to non-residents are subject to a 15% withholding tax (WHT) as effective from 1 March 2015.

Foreign dividends are subject to income tax in the hands of a South African residents, however this is exempt if the shareholder holds a minimum of 10% of the equity share capital and voting rights in the foreign company. All other foreign dividends are taxed at effective rate of 15%.

## TRAVEL ALLOWANCE

A logbook must (compulsory) be maintained with all business kilometre travelled in order to claim a deductions for business kilometres. PAYE is withheld from 80% of travel allowances. In some cases this can be reduced to 20% should the employer see fit.

The table below sets the rates that should be utilized in determining business cost of travel when no records of costs have been kept.

**2015/16**

| Value of the vehicle (incl. VAT) (R) | Fixed cost (R p. a.) | Fuel cost (c/km) | Maintenance cost (c/km) |
|--------------------------------------|----------------------|------------------|-------------------------|
| 0 – 80000                            | 26105                | 78.7             | 29.3                    |
| 80001 – 160000                       | 46505                | 87.9             | 36.7                    |
| 160001 – 240000                      | 66976                | 95.5             | 40.4                    |
| 240001 – 320000                      | 84945                | 102.7            | 44.1                    |
| 320001 – 400000                      | 102974               | 109.9            | 51.8                    |
| 400001 – 480000                      | 121886               | 126.1            | 60.8                    |
| 480001 – 560000                      | 140797               | 130.4            | 75.6                    |
| Exceeding 560000                     | 140797               | 130.3            | 75.6                    |

Where the distance travelled for business kilometres does not exceed 8000km, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 318 cents per kilometre, regardless of the value of the vehicle.

This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.

## FRINGE BENEFITS

### Company car

The taxable monthly rate for a company car is 3.5% of the determined value. If the vehicle is subject to a maintenance plan then the rate is reduced to 3.25%. The determined value made up of the original cost of the vehicle to the employer including VAT. There is a reduction in taxable income should the employee prove accurate records of distances travelled for business purposes and total distance travelled including if the employee paid car expenses in his/her behalf and kept record. 80% of fringe benefits will be included in the remuneration for PAYE.

## Residential accommodation

There is a taxable fringe benefit that arises when an employer provides an employee with accommodation. The value of the benefit will be included in gross income and will be calculated by applying a prescribed formula. There is no taxable fringe benefit for employees who are away from usual place of residence within South Africa subject to certain terms and conditions.

### Subsistence allowances

Where an employee is obliged to spend at least one night away from his/her usual residence while on business subsistence allowances are tax free. Provided they do not exceed the following amounts: Amounts vary per day for meals and incidental costs for travel outside the country **R353 per day for meals** and incidental costs for travel within the republic. **R109 per day for incidental costs** only within the republic.

## DEDUCTIONS

### Medical expenses

#### Medical scheme Contributions:

Monthly tax rebate of R270 each for the taxpayer and his/her first dependant, and R181 for every additional dependant

#### Taxpayers 65 years (or older) and taxpayers with a disability (Taxpayer, spouse or child):

- 33.3% of the amount of contributions to a medical scheme as exceeds three times the medical scheme fees tax rebate, and
- 33.3% of qualifying medical expenses incurred.

#### Taxpayers under 65 years:

- 25% of the aggregate of medical scheme contributions paid to a medical scheme as exceeds four times the medical scheme fees tax rebate and qualifying medical expenses as exceeds 7.5% of taxable income (before medical deduction and excluding retirement lump sum benefits).

### Pension fund contributions

**Current contributions:** Limited to the greater of: (a) R1 750; or (b) 7.5% of remuneration from retirement funding employment. Excess cannot be carried forward to the following year of assessment.

**Arrear contributions:** R1 800 per annum. Excess over R1 800 may be carried forward to the following year of assessment.

## Donations

Donations to (PBOs) public benefit organisations are tax deductible. Deduction is limited to 10% of taxable income before medical expenses and donations (excluding retirement fund lump sums and severance benefits). These organisations include most welfare, healthcare, education and development, land and housing, and conservation, environmental and animal welfare organisations, with certain exceptions. Any excess may be carried forward and is treated as a donation made in the subsequent year.

## EMPLOYEES' TAX PAYE

Employers are required to withhold PAYE from remuneration that are paid to employees. The PAYE must be paid to SARS by the 7th day of the following month. The month in which the remuneration is received.

## SKILLS DEVELOPMENT LEVY (SDL)

|                                   | 2014/15 | 2015/16 |
|-----------------------------------|---------|---------|
| Rate                              | 1%      | 1%      |
| Annual remuneration threshold     | R500000 | R500000 |
| Unemployment Insurance Fund (UIF) | 1%+1%   | 1%+1%   |

\*UIF contributions are payable monthly, contribution of 1% by employers and 1% by employees, based on employees' remuneration below a certain amount (currently R14 872, proposed at R1 000 for the 2015/16 year).

## EMPLOYMENT TAX INCENTIVE

Employers are eligible for a rebate of \*employees' tax as follows:

#### First 12 months employee's employment:

- 50% of an employee's monthly remuneration up to R2 000 per month (applicable if the minimum wage was less than R2 000 per month).
- For an employee with a monthly remuneration of between R2 000 and R4 000, the incentive will be R1 000 per month.
- For employees with monthly remuneration of between R4 000 and R6 000, the value of the incentive will be between R1 000 and zero per month, as determined in terms of a formula.

Second 12 months of employee's employment:  
Half of the amounts

\* Qualifying employees between the age of 18 and 29 years

## RETIREMENT FUND LUMP SUM WITHDRAWAL BENEFIT

### Retirement Benefit

Lump sum benefits consist of lump sums from a retirement fund on death, retirement or termination of employment due to redundancy or termination of the employer's trade.

They are taxed according to the following table:

| Taxable Income from withdrawal benefits | Tax payable                                   |
|---|---|
| R0 – R25000                             | 0% of taxable income                          |
| R25001 – R660000                        | 18% of taxable income above R25000            |
| R660001 – R990000                       | R114300 + 27% of taxable income above R660000 |
| R990001 and above                       | R203400 + 36% of taxable income above R990000 |

\*Taxable income is cumulative and includes all lump sum payments, Whether on retirement (after 1 October 2007) or withdrawal (After 1 March 2009) or a severance benefit (after 1 March 2011).

### Severance Benefit

Severance benefits consist of lump sums from or by arrangement with an employer due to termination of a person's office or employment in certain circumstances such as

- Reaching the age of 55 years.
- Due to incapacity through sickness or other ailment.
- Retrenchment due to cessation of trade or general staff reduction.

Severance benefits and lump sum awards following retirement or retrenchment are taxed according to the following table:

| Taxable income from severance benefits | Tax payable                                    |
|--|--|
| R0 – R500000                           | 0% of taxable income                           |
| R500001 – R700000                      | R0 + 18% of taxable income above R500000       |
| R700001 – R1050000                     | R36000 + 27% of taxable income above R700000   |
| R1050001 and above                     | R130500 + 36% of taxable income above R1050000 |

\*Taxable income is cumulative and includes all lump sum payments Whether on retirement (after 1 October 2007) or withdrawal (After 1 March 2009) or a severance benefit (after 1 March 2011).

## COMPANIES AND TRUSTS

### Tax rates

|                   |         |         |
|-------------------|---------|---------|
| Company tax rates | 2014/15 | 2015/16 |
| Normal Income tax | 28%     | 28%     |
| Dividend tax      | 15%     | 15%     |

### Small business corporations 2015/16

| Taxable Income    | Rate of tax                                  |
|-------------------|--|
| R0 – R73650       | 0% of taxable income                         |
| R73651 – R365000  | 7% of taxable income above R73650            |
| R365001 – R550000 | R20395 + 21% of taxable income above R365000 |
| R550001 and above | R59245 + 28% of the amount above R550000     |

### Small business 2014/15

| Taxable Income    | Rate of tax                                  |
|-------------------|--|
| R0 – R70700       | 0% of taxable income                         |
| R70701 – R365000  | 7% of taxable income above R70700            |
| R365001 – R550000 | R20601 + 21% of taxable income above R365000 |
| R550001 and above | R59451 + 28% of the amount above R550000     |

### Micro-business 2015/16

| Taxable turnover  | Rate of tax                            |
|-------------------|--|
| R0 – R355000      | 0% of taxable turnover                 |
| R355001 – R500000 | 1% of the amount above R355000         |
| R500001 – R750000 | R1650 + 2% of the amount above R500000 |
| R750001 and above | R6650 + 3% of the amount above R750000 |

\*Qualifying micro-businesses are able to pay turnover tax, VAT and employees' tax twice a year.

### Micro-business 2014/15

| Taxable turnover   | Rate of tax                             |
|--------------------|---|
| R0 – R150000       | 0% of taxable turnover                  |
| R150001 – R300000  | 1% of the amount above R150000          |
| R300001 – R500000  | R1500 + 2% of the amount above R300000  |
| R500001 – R750000  | R5500 + 4% of the amount above R500000  |
| R750001 – R1000000 | R15500 + 6% of the amount above R750000 |

## DONATIONS TAX AND ESTATE DUTY

Donation rate 20%

Donations tax exemption:

Natural persons R100000 p.a.

Other (PBO's, spouses, recreational clubs etc.) R10000 p.a.

Estate duty rate 20%

Deductions include: A standard deduction of R3.5 million per estate (R7 million for a married couple)

## TRANSFER DUTY

Transfer duty is payable on the acquisition of immovable property buy the purchaser

| Value of property   | Rate                                  |
|---------------------|---------------------------------------|
| R0 – R750000        | 0%                                    |
| R750001 – R1250000  | 3% on amount above R750000            |
| R1250001 – R1750000 | R15000 + 6% on amount above R1250000  |
| R1750001 – R2250000 | R45000 + 8% on amount above R1750000  |
| R2250001 +          | R85000 + 11% on amount above R2250000 |

## TAX CALENDAR (PROVISIONAL TAX)

### Provisional tax payments

#### February year-end

1st payment is made 6 months before year-end (31 August)

2nd payment at year end (end February)

3rd payment is made 7 months after year end (30 September)

Other than Feb

1st payment is made 6 months prior to year-end

2nd payment is made at year-end

## SECURITIES TRANSFER TAX (“STT”)

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities.

## VAT

Rate is 14%

Registration threshold:

- Compulsory if vendor has R1m taxable supplies
- Voluntary is if vendor is making supplies of more than R50000 but less than R1m

## WITHHOLDING TAX

### Dividends tax

Dividends tax (DT) must be withheld from dividends at a rate of 15% by local companies and foreign companies on shares listed on the JSE. The rate may be reduced in terms of Double Taxation Agreements (DTAs). Exemptions apply for domestic retirement funds, PBOs and domestic companies. Certain requirements have to be complied with in order for the exemption or reduced rate to apply.

### Payments to non-residents

| Type of payment                         | Withholding tax |
|---|-----------------|
| Dividends                               | 15%             |
| Interest                                | 15%             |
| Royalties                               | 15%             |
| *Service fees                           | 15%             |
| Sportsmen and Entertainers visiting RSA | 15%             |

### Sale of fixed property in SA by a non-resident:

|   |      |
|---|------|
| - If the non-resident is a natural person | 5%   |
| - If the non-resident is a company        | 7.5% |
| - If the non-resident is a trust          | 10%  |

\*The WHT on service fees is proposed to come into effect on 1 January 2016.

## CAPITAL ALLOWANCES

### Buildings

#### Industrial manufacture building

Commenced 01/07/1996 – 30/09/1999 rate is 10%

After 1 January 1989 rate is 5%

Other 2%

(New and unused commercial buildings and improvements): 5%

### Intellectual property (Research and development)

Costs incurred in acquiring (i.e. other than developing or creating):

- Inventions, patents or copyrights 5%

- Designs 10%

\*Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trademarks.

### Research and development

#### Costs incurred in any year of assessment:

Systematic investigative or experimental activities of which the result is uncertain for discovering non-obvious scientific or technical information, or creating any invention, design, computer program or essential knowledge, specified improvements to the above, certain pharmaceutical products and clinical trials: 150%

New or unused building, machinery, plant, implement, utensils or article or improvements thereto brought into use for the first time for Research and Development purposes: 50%/30%/20%

\*The R&D must be approved by the Minister of Science and Technology in advance to qualify for the enhanced allowance of 150%. To the extent that government grants are received to fund R&D, the expenditure so incurred does not qualify for the additional 50% allowance. Certain activities are excluded.

### Plant and machinery

- New Manufacturing or similar assets (new only): 40%/20%/20%/20%
- Industrial policy projects (additional investment allowance):
  - Preferred status 55%
  - Preferred status in IDZ (SEZ) 100%
  - Other 35%
  - Other in IDZ (SEZ) 75%
- Renewable energy technology equipment: 50%/30%/20%

Small business corporations:

- Manufacturing assets 100%

- Other depreciable assets\* 50%/30%/20%

### Movable capital assets

Assets that are not subject to other capital allowances: Wear-and-tear at rates may apply. Any asset costing R7 000 or less may be written off in the year in which it is acquired.

Older buildings, plant, aircraft and ships and R&D assets may be subject to allowances at different rates.

## CAPITAL GAINS TAX

| Person         | Inclusion rate % | 2014/15 | 2015/16 |
|----------------|------------------|---------|---------|
| Natural Person | 33.3             | 33.3    | 33.3    |
| Special trusts | 33.3             | 33.3    | 33.3    |
| Other trusts   | 66.6             | 66.6    | 66.6    |
| Companies      | 66.6             | 66.6    | 66.6    |

| Person         | Max effective rate % | 2014/15 | 2015/16 |
|----------------|----------------------|---------|---------|
| Natural Person | 13.3                 | 13.65   | 13.65   |
| Special trusts | 13.3                 | 13.65   | 13.65   |
| Other trusts   | 26.6                 | 27.31   | 27.31   |
| Companies      | 18.6                 | 18.6    | 18.6    |

| Exclusions                   | 2014/15  | 2015/16  |
|------------------------------|----------|----------|
| Primary residence            | R2m      | R2m      |
| Annual exclusion             | R30,000  | R30,000  |
| Individuals in year of death | R300,000 | R300,000 |
| Small business asset         | R1.8m    | R1.8m    |

(Individuals > 55 years and market value of assets < R10m)

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