LEARNER GUIDE

Unit Standard Title:	**Describe and apply the basic principles of Personal Income Tax**
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Describe and apply the basic principles of personal income tax

Introduction

Taxpayers have the right to plan their affairs in such a way that they avoid the payment of unnecessary tax and restrict their tax liability to a minimum. This is called tax avoidance and is allowed. However, tax evasion is illegal.

South Africa has a residence basis of taxation, which means that if you are a resident of South Africa, you will be taxed on your worldwide income in South Africa wherever it is generated and whether or not you remit it to South Africa. You will generally be given a tax credit for any taxes you have paid in a foreign country, and you can claim your expenses incurred in relation to that income. If you are a non-resident, you will be taxed on income that is from a South African source.

South Africa has double taxation agreements with several countries to ensure that residents of South Africa are not paying tax in both countries without some, if not complete, concessions.

Offshore tax havens – such as the Isle of Man and Jersey- do not charge non-residents tax. That does not do away with the fact that the non-resident – who is resident elsewhere and, in this case, South Africa, - has to pay tax on his worldwide income which may include income from these tax havens.

Income tax is imposed on all taxpayers by a statute known as the Income Tax Act 58 of 1962. Income tax is calculated on the taxable income of both natural and legal persons. A person, who is liable to pay tax or is obliged to submit an income tax return, is known as a taxpayer.

The tax that we refer to in this module is applicable to South African residents or South African companies and trusts.

Module 1

Why do we pay Tax?

This Module deals with:

- The purposes of taxation with reference to its importance to a country`s economic and social wellbeing
- The main categories of people and entities from which the government collects taxes and an indication of the different rates applied to personal and company income tax
- The typical breakdown of a government`s main budget and spending categories
- The main emphasis in the South African Government`s current budget interpreted from reports in the media with reference to access, redress and the repayment of the national debt
- Ways in which government is attempting to improve tax collection and/or widen its tax base and an indication of the potential impact of improved and wider tax collection on both the government and the individual taxpayer

1.1 The purposes of taxation with reference to its importance to a country's economic and social wellbeing

Since ancient times, governments have used taxes to raise money to finance the costs of public administration and the provision of public services - health care, education, police, agricultural services, and so forth. In addition, taxation has helped to finance poverty relief measures that promote the "social inclusion" of those at the economic margins of society.

Taxation allows us to pool resources to buy things, like schools and roads, which we all need but that we would have a hard time buying individually. In most societies, income taxes also play an important redistributive function. In other words, people who earn more are expected to pay more. Their tax payments help to subsidise the costs of public services used by poorer people, many of whom are not required to pay income tax. (This is sometimes referred to as a progressive tax structure because the tax rate increases with income. Someone who earns R30 000 a year might be expected to pay 20 per cent of her income in taxes, while someone else earning R120 000 a year might be expected to pay 40 per cent.)

In South Africa, where the policies of former governments have created enormous inequalities, redistribution of wealth is essential to national reconciliation and social stability. Paying taxes is one way that we can demonstrate our love and concern for our neighbours.

Taxation is a multi-purpose weapon in the hands of governments. The main purpose of taxation is to collect money to pay for everything from roads to hospitals. But it can also be used to change the behaviour of taxpayers or economic sectors.

Behaviour can be changed by tax incentives and penalties. The behavioural aspects of tax policy feature strongly in the Revenue Laws Amendment Bills, which went before Parliament's portfolio committee on finance in September last year.

And taxation is not only used to influence the behaviour of local taxpayers. It is also used to influence the behaviour of foreigners, for example, by designing tax structures, including double-taxation agreements, to encourage foreign investment.

The best example in the Bills of government influencing behaviour at the level of individuals is the taxation of retirement savings. The government provides various incentives to encourage us – and even employers on our behalf – to save for retirement. Tax is deferred until you receive your pension payments. The consequence is that you are receiving investment returns on money on which you would otherwise have paid tax.

The tax breaks include:

> Employer contributions to retirement funds on behalf of an employee will be a taxable fringe benefit in the hands of the employee. Individuals are allowed to deduct up to a specified percentage (subject to change with every new tax year), depending on their age, of the higher of their employment or taxable income in respect of contributions to pension, provident or retirement annuity funds with a maximum annual amount.

Dividends Tax is a tax charged at 15% on shareholders when dividends are paid to them

National health insurance will be phased in over 14 years.

<u>Pension Funds</u>

Any person may claim a deduction of his or her current contributions to a pension fund. The deduction is limited per taxation year (refer to SARS tax pocket guide – annexure1).

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

<u>Retirement Annuity Funds</u>

A taxpayer may claim his or her current contributions and, provided they were included in the taxpayer's gross income as a taxable fringe benefit, his employer's contributions to a retirement annuity fund as a deduction. Limits apply. (Refer to SARS tax pocket guide – annexure1)

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

Provident Funds

Contributions to approved provident and benefit funds are not allowable as a deduction from an individual's income.

Although the government is simplifying the taxation structure for early withdrawals, the message remains clear: the government does not want you to withdraw your savings before retirement.

The objective of the National Treasury is two-fold: one, it does not want the state to support you in retirement, and two, it wants you to save to make money available for investment in the broader economy, thus driving development and job creation.

Tax is used as a blunt instrument to transfer wealth from the rich to the poor, or rather to assist the poor. But it can be more subtly used to spread wealth more effectively. For example, a few years ago the government slammed the door on the wealthy enriching themselves even further by being awarded massive share options. These options were initially tax-free, then they were subjected to CGT and then finally to harsher income tax.

1.2 The main categories of people and entities from which the government collects taxes and an indication of the different rates applied to personal and company income tax

The following are examples of people and entities from which the government collects taxes. Each category has different rates applied to personal and company income tax: (refer to SARS tax pocket guide for rate of taxation – annexure1)

People	Entities
Direct Taxes PAYE Variable Rates – dependent of SITE the tax scales **Indirect Taxes** VAT 14% Petrol Alcohol Cigarettes	**Companies Tax (Limited companies and PTY Ltd Companies)** **Close Corporations** The close corporation may choose to pay tax as a corporation (based on declared profits), or the members of the organisation my withdraw the money as a salary and pay tax on it at this level, however, SARS does not require you to pay at both levels. **Partnership and other sole entities**.

	A partner and a sole trader is responsible for the payment of tax in his / her own right and is therefore dependent on the salary scales

1.3 The typical breakdown of a government`s main budget and spending categories (

Categories include:

- Health and Safety
- Education
- National Infrastructure
- Defence
- Civil Service
- Social Services
- Administration

Attached find a copy of the people's guide to the budget. (Annexure 2). Issues that are addressed and which may affect you directly include:

- **Personal Income Tax Rates**
- **Interest and Dividend Income Exemption**
- **Medical Expenses**
- **Capital Gains Tax**
- **Tax Administration Bill**

Module 2

Liabilities and duties with regards to income tax

This Module deals with:

- The difference between SITE and PAYE and an indication is given of when the individual is liable for each
- The functions and uses of the IRP5 and IT3B
- An individual`s legal responsibility to register as a taxpayer and complete income tax returns and an indication of the implications of non-compliance
- The concept of a provisional taxpayer and an indication of when an individual could qualify as a provisional taxpayer
- The effect of provisional taxpayer status on the individual in terms of the submission of returns to the South African Revenue Service (SARS)

2.1 The difference between SITE and PAYE and an indication is given of when the individual is liable for each

Income tax is the money you pay to government from your wages to pay for roads, schools, hospitals etc.

The amount of tax that you pay depends on:

- How much you earn
- Your age (whether you are under 65 or over 65)
- Whether you are a member of a pension fund or pay towards a retirement annuity fund.

Examples of income on which you can be taxed include:

- Income from employment e.g. salaries, wages, bonuses, overtime
- Fringe benefits and certain lump sums
- Income from a business or trade
- Investment income e.g. interest, rental income, and foreign dividends
- Annuities
- Pension
- Income from you own business

There are two main types of tax that are deducted from an employee's salary or wages:

- SITE (Standard Income Tax on Employees)
- PAYE (Pay As You Earn)

Employers are required to deduct employees’ tax according to tax deduction tables supplied by SARS on all remuneration paid to employees unless otherwise instructed in terms of a tax deduction directive issued by SARS.

Directors of private companies, as well as members of close corporations, are subject to PAYE on the greater of their actual monthly remuneration or their ‘deemed remuneration’, unless they received at least 75% of their remuneration in the previous tax year in the form of fixed monthly payments of remuneration. In that case, such directors are taxed only on their actual remuneration.

STANDARD INCOME TAX ON EMPLOYEES (SITE)

“SITE was a component of the Pay-As-You-Earn (PAYE) method of paying Income Tax and was a final withholding tax on the first R60 000 of your net remuneration deducted by an employer.”

“1 March 2011 saw the start of the phasing out of Standard Income Tax on Employees (SITE). SITE taxpayers who received more than one Employee Income Tax certificate [IRP5/IT3(a)] resulting in a combined income of more than the tax threshold for that tax year – please refer to section 3 – will now be required to submit an Income Tax return (ITR12) as of the 2012 year of assessment onwards. Tax returns must be submitted during the Personal Income Tax (PIT) Filing Season which commences 1 July each year.” *(Courtesy SARS Website)*

2.2 The functions and uses of the IRP5 and IT3B

An IRP5 is the employee's tax certificate that is issued to you at the end of each tax year detailing all of your related incomes, deductions and related taxes. It is used by the employee specifically to complete your income tax return for a specific year.

You must register with SARS before you complete a tax return. If you are already registered, your tax return forms will be sent to you in the post. You can also collect the forms from your nearest SARS office.

You can also receive and submit your tax returns electronically using the SARS eFiling system. eFiling is an electronic tax return and submission service. You can register for eFiling if you are already registered as a tax payer. You will need your tax reference number and ID number.

An IT3b is a Tax Certificate received from an institution such as a bank or financial services offerer which will be a summary of any interest and dividends both local and foreign that you would have earned by having money invested with one or more of these places.

2.3 An individual`s legal responsibility to register as a taxpayer and complete income tax returns and an indication of the implications of non-compliance

Tax evasion refers to a situation where a person is liable to pay tax, but due to a scheme or special arrangement he does not pay tax. Section 103 of the Act deals with these schemes. If illegal actions or sham transactions are present in a scheme, the provisions of section 103 (1) need not be invoked as the illegality renders the transaction void for purposes of the Income Tax Act. In addition, penalties provided for the Act could be imposed on such taxpayers.
Illegal schemes undertaken by the taxpayer to free him or herself from taxation, equates to fraud against the government or indeed of the fiscus.
Tax evasion is a criminal offence punishable with a fine or a jail sentence. In recent times the receiver has become very harsh on people who avoid paying tax and will send you to jail, as well confiscate your assets.

There are only two things that are inevitable; death and taxes!

2.4 The concept of a provisional taxpayer and an indication of when an individual could qualify as a provisional taxpayer

A provisional taxpayer is any individual person who derives income that is not subject to PAYE deductions (e.g. Interest, rental or business income), he / she has to pay provisional tax on this income on a six monthly basis.

Provisional tax forms part of the PAYE system of tax collection. It is not a separate tax but simply a provision for the final tax liability for a year of assessment which will be determined on assessment. The payments which are made in August and February represent tax on the income which has already been earned during the year of assessment. Therefore this tax can be compared to employees' tax deducted from remuneration before it is paid to an employee. The payments are made under cover of IRP 6(i) returns which are posted to taxpayers approximately a month before the date on which the provisional tax for the relevant period is due.

A taxpayer must register as a provisional taxpayer if he/she

- derives income from sources other than remuneration (for example business or farming income interest rental income and building society dividends) where the taxable income from such other sources will exceed R20 000 for the tax specific year
- is notified that he she is a provisional taxpayer.

- Taxpayers who are 65 years and older and you only earn income from Interest, Dividends and Rental which is below R120 000 for the tax year

In the case of individuals, provisional payments are advance tax payments made in circumstances where the individual earns income which is not ‘remuneration’. ‘Remuneration’ is a defined term and essentially covers employment and other income which is subject to PAYE.

The following individuals who derive income which is not remuneration are nevertheless exempt from tax so long as the income or any part of the income is not derived from the carrying on of a business:

- Individuals under the age of 65 whose taxable income does not exceed the tax threshold, or whose taxable income from interest, dividends and rental from the letting of fixed property will not exceed R20 000; or

- Individuals who will be 65 on the last day of the year of assessment, who are not directors of private companies or members of close corporations, whose taxable income will not exceed R120 000 for the year of assessment and where such income is only derived from remuneration, interest, dividends and/or rental from the letting of fixed property.

Note that with effect from 1 April 2012, the above two exemptions will be amended to specifically refer to foreign dividends in addition to dividends.

Provisional Returns - Individuals

First Provisional Tax Return

Due within the first 6 months of the tax year - 31 August.

The first payment represents 50% of the tax due on the ‘basic amount’ less PAYE and foreign credits. The ‘basic amount’ is the taxable income per the most recent assessment, reduced by lump sums and capital gains. The ‘basic amount’ is escalated at 8% per annum when an assessment is more than a year in arrears. Consent is required to base one’s calculations on an amount less than the ‘basic amount’.

Second Provisional Tax Return

Due before the end of the tax year - 28 February.

Where taxable income is less than or equal to R1 million then the second provisional payment must be based upon an estimate of income which is not less than the lower of the 'basic amount' and 90% of actual taxable income, in order to avoid a 20% penalty.

Where taxable income exceeds R1 million, then an 80% level of accuracy is required between actual and estimated income for the current year, in order to avoid a 20% penalty. There is no fall-back on the historical 'basic amount' as above.

Third Provisional Tax Return

Should there be any remaining tax liability following the first and second provisional payments, then interest is charged, commencing 7 months after the tax year end for individuals. Therefore, in order to avoid interest, individuals may make a 3rd voluntary top-up payment by 30 September of each year.

Interest is not, however, charged on late payments of provisional taxes in respect of the third provisional payment where an individual's taxable income does not exceed R50 000.

General

Interest and penalties paid are not deductible whereas interest earned on overpayments is taxable.

2.5 The effect of provisional taxpayer status on the individual in terms of the submission of returns to the South African Revenue Service (SARS)

If your tax year ends on the last day of February, the third payment must be made within seven months of the end of the tax year.

Failure to settle the total tax liability by then may result in interest being levied on any underpayment. In the case of an overpayment, interest is payable to the taxpayer.

Module 3

Completion of a Personal Tax Return

This Module deals with:

- Personal income tax liability calculated, indicating the implications of tax payable on an increasing income and an individual`s marginal rate of tax
- Tax due on overtime earnings, bonuses and commissions calculated and an assessment of their impact on basic tax
- Tax due on additional income other than salary calculated and an assessment of the impact of additional income on basic tax
- A tax return for a natural person completed correctly and copies of the documentation required supplied to support the information in the tax return

3.1 Personal income tax liability calculated, indicating the implications of tax payable on an increasing income and an individual`s marginal rate of tax

The marginal tax rate is the investor's or a person's marginal rate of tax, i.e. the rate the taxpayer pays on an increase in his taxable income. A taxpayer's marginal tax rate is obtained from the tax tables. Tax rates for the year of assessment ending February 2012 for individuals and special trusts are as follows:

Taxable Income	**Tax Rate**
R 0 - R 150 000	18%
R 150 001 - R 235 000	R 27 000 + (25% of amount above R 150 000)
R 235 001 - R 325 000	R 48 250 + (30% of amount above R 235 000)
R 325 001 - R 455 000	R 75 250 + (35% of amount above R 325 000)
R 455 001 - R 580 000	R 120 750 + (38% of amount above R 455 000)
R 580 001 and above	R 168 250 + (40% of amount above R 580 000)

The current and latest tax tables are available from www.SARS.gov.za

The average rate of tax is what the investor, as a percentage of his income, actually pays after calculation of his or her tax liability, but without taking the rebates into account.

The method of calculating an individual's tax liability is as follows:

Gross income (s 1)	xxx
Less: Exempt income (s 10)	xxx

= Income	xxx
Less: Deductions (mainly s 11 – s 20 & s 23)	xxx
Add: Taxable portion of capital gains (s 26A)	xxx
= Taxable income:	$\boxed{\text{xxx}}$
Calculate tax per the table, based on taxable income (s 5 & tax table)	xxx
Less rebates (s 6)	xxx
= Tax payable	$\boxed{\text{xxx}}$

The tax rates applicable to small business corporations (annual turnover under R14 million) for the financial year ending 31 March 2012 (adjusted in line with the new individual tax threshold) will be:

Small Business Corporations

0 - 63 556	0%
63 557 - 350 000	7% of taxable income above R63 556
350 001 and over	20 051 + 28% of taxable income above R350 000

Turnover tax rates applicable (elective) for micro businesses (qualifying turnover does not exceed R1 million) have remained unchanged:

Turnover Tax Liability

0 - R150 000	0%
R150 001 - R300 000	1% of each R1 above R150 000
R300 001 - R500 000	R1 500 + 2% of the amount above R300 000
R500 001 - R750 000	R5 500 + 4% of the amount above R500 000
R750 001 - R1 000 000	R15 500 + 6% of the amount above R750 000

Turnover tax is a tax based on the turnover of a business and is available to sole proprietors, partnerships, close corporations, companies and co-operations. It is a substitute for VAT, Provisional Tax, Income Tax, Capital Gains Tax and Secondary Tax on Companies.

Normal income tax is calculated on an individual taxpayer's taxable income in accordance with the income tax tables applicable to natural persons. From the tax so determined, rebates are deducted, for example the primary rebate for individuals under the age of 65 and the balance remaining represents the individual's tax liability for the year of the assessment.

In terms of the Act a person's taxable capital gain for the year of assessment must be included in his taxable income before the amount of tax, for which he is liable, is calculated according to the tables.

3.2 Tax due on overtime earnings, bonuses and commissions calculated and an assessment of their impact on basic tax

Section 23(m) of the Income Tax Act provides that expenses incurred by persons receiving remuneration (as defined in the Fourth Schedule) may not be deducted, unless such remuneration consists "mainly" of commission earnings. The term "mainly" is however not defined, but SARS has long held "mainly" to mean "in excess of 50% of the total remuneration".

Many people are shocked at the amount of tax that is deducted from their annual bonus.

Despite the widespread move to "cost-to-company" remuneration structures, many companies still pay out a bonus at this time of the year. But the joy of receiving such a payment is short-lived once you realise what a substantial chunk of it goes to tax.

Tax on bonuses is a great source of misunderstanding, because the amount deducted is usually much higher than that on a normal salary. To the lay person who earns (say) R10 000 per month, it is hard to fathom why tax of R1 198, 75 would be deducted from their normal salary, but R2 500 is taken out of the bonus.

This is how it works. Our individual income tax tables are structured on a "progressive" basis, which means that the more you earn, the more you pay. As you move through the various tax bands, the amount of tax paid on each additional rand earned increases. The percentage applicable to each band is known as the "marginal rate", and it is this percentage that provides a clue to why the tax on your bonus is so high.

In addition, although most people are paid monthly, and therefore have tax deducted monthly, tax is actually calculated on annual earnings. So the amount of tax you pay each month is based on 1/12th of the annual tax liability, assuming that your salary remains unchanged for the entire tax period. In our example of the salary-earner who earns R10 000 per month, the tax calculation assumes that you will earn R120 000 for the year (12 x R10 000).

The tax is calculated by applying the tables to this amount. R120 000 falls within the 0 to 18% of taxable income band, which is applicable to taxable income of between R0 to R140 000 per annum. In the different bands, there is an additional 25% (above a certain minimum amount) taxable on your income. The table below illustrates the different bands and applicable tax percentages to be deducted from your income:

Taxable Income	Tax Rate
R 0 - R 150 000	18%
R 150 001 - R 235 000	R 27 000 + (25% of amount above R 150 000)
R 235 001 - R 325 000	R 48 250 + (30% of amount above R 235 000)
R 325 001 - R 455 000	R 75 250 + (35% of amount above R 325 000)
R 455 001 - R 580 000	R 120 750 + (38% of amount above R 455 000)
R 580 001 and above	R 168 250 + (40% of amount above R 580 000)

If you receive a bonus of R10 000, your annual taxable income is now R130 000, being your monthly salary of R10 000 for 12 months, plus the bonus. Once again, applying the tables, you still fall within the 18% band, but now your annual tax liability increases to R16 885.

You then subtract the primary rebate, which is R10 260.00 for persons under the age of 65 years and R15 935.00 for persons over the age of 65 years, and then you have your actual tax liability for the year.

A taxpayer younger than 65 and earning an income of R57 000 or less a year, or a taxpayer of 65 and older earning an income of R88 528 or less a year, will not pay any income tax in the 2010/2011 tax year. The table below can be used as reference:

INCOME TAX PAYABLE 2010 / 11
(TAXPAYERS YOUNGER THAN 65)

Taxable Income	2009/2010	2010/2011	2010/2011 Saving per Annum
57 000	504	-	-
60 000	1 044	540	540
65 000	1 944	1 440	540
70 000	2 844	2 340	540
75 000	3 744	3 240	540
80 000	4 644	4 140	540
85 000	5 544	5 040	540
90 000	6 444	5 940	540
100 000	8 244	7 740	540
120 000	11 844	11 340	540
150 000	18 504	17 440	1 064
200 000	31 004	29 940	1 064
250 000	45 504	43 890	1 614
300 000	61 004	58 890	2 114
400 000	96 004	93 640	2 364
500 000	133 704	130 710	2 994
750 000	233 204	229 670	3 534
1 000 000	333 204	329 670	3 534

Tax thresholds

- Below age 65
- Age 65 to below 75
- Age 75 and over

The examples below demonstrate the tax savings for individuals (younger and older than 65) in terms of the proposed changes:

INCOME TAX PAYABLE 2010 /11
(TAXPAYERS OLDER THAN 65)

Taxable Income	2009/2010	2010/2011	2010/2011 Saving per Annum
85 000	144		144
90 000	1 044	265	779
100 000	2 844	2 065	779
120 000	6 444	5 665	779
150 000	13 104	11 765	1 339
200 000	25 604	24 265	1 339
250 000	40 104	38 215	1 889
300 000	55 604	53 215	2 389
400 000	90 604	87 965	2 639
500 000	128 304	125 035	3 269
750 000	227 804	223 995	3 809
1 000 000	327 804	323 995	3 809

Please note that the 2014-2015 tax tables and rebates are shown in the Annexures

3.3 Tax due on additional income other than salary calculated and an assessment of the impact of additional income on basic tax

If you have a hobby that earns you income on a regular basis - for example if you are a spare-time artist, writer or photographer and you consistently sell your work - your net income from this source will be taxable and must be declared (unless of course your income from all sources falls below the taxable level).

You will be entitled to deduct all expenses incurred in earning that income, such as; for example, the cost of materials, the renting of premises, and so on, but you may not deduct the value of your own or your family's labour.

If, however, you only occasionally make money from a hobby, you are not expected to add those amounts to your income for tax purposes.

Module 4

Indirect forms of taxation in South Africa

This Module deals with:

- Examples of indirect taxes and an indication of the current rates of taxation on each
- The basic principles of Value Added Tax (VAT) and the cost of five items or services calculated with and without VAT
- Reasons why government applies additional forms of taxation other than personal and company income tax with reference to spreading the tax base
- Approximate amounts paid by the individual in indirect taxes based on personal expenditure over a period of at least a month (covered in the assessment)
- The implications of a change in fuel tax with reference to the possible effect on the individual and the economy
- The issue of sin tax and the appropriateness of this form of taxation

4.1 Examples of indirect taxes and an indication of the current rates of taxation on each

- **Pension Funds:**

The maximum deduction for contributing to an approved pension fund is R 1 750.00 or 7.5% of your remuneration from retirement funding employment for the year of assessment.

You need to claim your actual contributions, SARS will do the calculations.

- **Retirement Annuities:**

The maximum deduction for contributions to an approved retirement annuity fund is limited to the greatest of 15% of taxable income excluding income from retirement-funding employment.

The following deductions may not be taken into account:

- Retirement annuity fund contribution
- Farming
- Donations
- Medical and dental expenses
- R3,500 less allowable pension fund contributions or R1,750

- **<u>Entertainment allowance:</u>**

You have to furnish information regarding:

- Position held – e.g. MD, sales rep, etc.
- Nature of duties
- Whom entertained – name of person and his/her employer
- Cost of the entertainment
- Whether your position or the performance of your duties entails regular and necessary entertainment expenditure.

The claim is limited to the LESSER of:

- Actual expenditure
- The amount of the allowance
- R2,500
- 5% of your taxable income from the trade in question (minimum R300)

- **<u>Travelling expenses:</u>**

- Accurate records of expenses have to be kept
- If no records of expenses have been kept you can only claim against an allowance
- Accurate odometer readings have to be furnished
- Travelling between your place of business and your residence is deemed private.
- If you receive a travelling allowance, the deduction may not exceed the allowance received.

SARS explains dual-purpose expenditure and those expenses you incur that may be partly personal and partly business. These may include fuel, oil, rent, electricity, telephone, car maintenance, repairs, insurance, interest and overseas travelling expenses. The personal portion of these expenses may not be claimed and full details of your calculations must accompany our return.

4.2 The basic principles of Value Added Tax (VAT) and the cost of five items or services calculated with and without VAT

This tax is levied on certain goods and services purchased or consumed, in other words a consumption tax. In the case of companies or other consumption-tax registered entities that add value to products and services, they would normally charge the consumption tax on the full sale price to their client, then deduct the consumption tax paid to their supplier on inputs, and submit the balance to the tax authorities.

In South Africa, Value-Added Tax (VAT) is currently levied at the standard rate of 14% on both goods and services. A supply of goods and services may also be zero-rated (taxed at 0%) or tax exempt.

- **Zero-rated Supplies**

The following qualifies for zero-rated supplies:

Exports of goods

Sale of a business as a going concern

Sale of:

(a) Gold and gold coins
(b) Petroleum products
(c) Certain basic foodstuffs (fruit, vegetables, milk and bread)
(d) Seed, fertilizer, pesticides and other inputs to farmers
(e) International transport and insurance services
(f) Most repair, handling and provisioning services for foreign ships, aircraft and trains
(g) Services rendered by a South African vendor outside of South Africa
(h) Most services rendered to a non-resident who is situated outside of the country
(i) Subsidies received by welfare organizations, and a subsidy received by any person from the state
(j) International development programme grants

Output tax

The tax that we charge

Input tax

The tax that we pay

We are only liable for the difference between the output vat and the input vat.

In order to get the VAT charges on an item if the item is at a VAT inclusive price, one will use the following formula:

Price x 14/100 or Price x 14%

An example will demonstrate this principle:

Snoek Enterprises buys fish from the harbour and sells it to restaurants. The Harbour Fisheries is a registered Vat vendor, as is Snoek Enterprises.

Snoek **buys** 100 kg of fish for resale at a price of R11.40 per kilo including Vat

To calculate his input Vat:
100kg x R11.40 = R1140

$$R1140 \times \frac{14}{114} = \underline{R140}$$

If Snoek then prices his fish at R15.00 a kilo he must add 14% Vat to that price to derive his final sales price
R15 x 1.14 = R17.10 per Kilo

If he sells all his fish, 100kg @ R17.10 =R1710

To calculate his output Vat:

$$R1710 \times \frac{14}{114} = R210$$

Snoek must then pay SARS the net amount of Output less Input:
R210 – R140 = R70

Please note the formulae used in calculating Vat:

1. To calculate the Vat on an ex-Vat price: (price) x 14%
2. To calculate the Vat Inclusive price: (price) x 1.14
3. To calculate the Vat in a Vat Inclusive price (for output Vat):
   $(Price) \times \frac{14}{114}$

4.3 Reasons why government applies additional forms of taxation other than personal and company income tax

Moreover, there are reasons why these conventional sources of taxation are drying up. The globalised markets in capital and skills mean that governments dare not introduce high tax regimes for fear of losing mobile factors of production. Thus they are forced to cut expenditure on public activities and services previously taken for granted.

Second, with ageing populations, it becomes increasingly difficult to finance governments' needs from a diminishing proportion of its citizenry. Third, growing volumes of e-commerce through the Internet means that an increasing proportion of transactions fall outside the remit of national taxation systems.

Therefore we need to find other ways to raise funds for the public purse. The New Economics movement believes governments can raise even more revenue than today, and by means that have a benign effect on the future of the planet and humanity.

Taxes on income and consumption are perverse if we want to encourage work. It is true that as a redistributive tool, income tax has some merit, since it can be tailored to different income levels. But VAT, the tax on consumption, is highly regressive, being paid equally by everyone. Poor people feel the effect of VAT much more than the rich.

The positive reason for using alternative taxes relates to the negative aspects of the levies described above. Through taxation we can encourage new forms of economic activity and discourage - rather than simply banning - some of the old. In particular we need to shift activity away from the consumption of non-renewable or limited resources and away from activities which have destructive effects - such as pollution of land, air and water.

It has become clear that the planet’s natural environment is under severe threat from modern economies. It is also clear that some aspects of modern economic activity create dangerous self-destructive instabilities as well as inequalities of access to income at an exponential rate. The taxation system could be a means to reconcile modern economies with sustainable ecosystems, sustainable economic systems and human fairness.

On a small scale governments already do this. We tax cigarettes and alcohol explicitly to discourage addiction, as well as to raise funds; and we exempt certain basic and nutritious foods from taxation to encourage healthy eating by poor people. In other words we have taxed things we do not want to happen, and removed taxes from what we do want. But so far the scale is tiny.

Another reason for new taxes is to incorporate into the price of the product all of its costs. At present some products cause problems to society at large which society has to resolve. Industrial air pollution, for instance, causes ill-health which individuals, health services, tax payers and others have to treat at cost to themselves. The cost of responding should be built into the product itself. This has the effect of ‘internalising’ the full cost, by making consumers pay a tax. For lack of this ‘full cost accounting’ - which is used in measuring efficiency in the market system - most goods and services traded today have been chronically under-priced and over-consumed. Not to do so constitutes a serious ‘market failure’.

This paper will propose that governments move from the first type of taxation (on work, production and income) to the second (undesirable activity or use of scarce resources). Clearly the process needs to be gradual and strategically phased. For example, choosing to end corporation tax first would have the immediate effect of encouraging investment; and would also gain powerful allies for the alternative taxation approach. It would release resources from the often ill-matched cat-and-mouse game played between governments and corporations, the latter being adept, through the efforts of their well-paid advisers, at finding ways to hide profits.

4.4 The implications of a change in fuel tax with reference to the possible effect on the individual and the economy

The Minister announced to introduce, with effect from 1st September, 2010, a CO2 emissions (fuel consumption) tax based on a threshold of 120g/km and a tax penalty of R75 per g/km above the threshold The purpose of the CO2 new car tax regime was intended to send a strong signal to consumers, producers and importers of new cars in South Africa specifically to influence consumer behaviour in favour of more fuel efficient, less carbon emitting vehicles and in the process to improve ambient air quality in the country.

In order to be effective in influencing consumer purchasing decisions, it was essential that the tax should be applied at point of sale to ensure visibility to the end customer. A number of technical, administrative and legal issues needed to be addressed to facilitate the introduction of the tax regime and a team of industry experts would assist National Treasury and the SA Revenue Service in this regard.

NAAMSA had advocated the need for an integrated approach within government to CO2 emission reduction initiatives. In this context, it was imperative that government should legislate and incentivize the introduction of Euro IV enabling “green” fuel in South Africa; this would provide a quantum leap benefit in the reduction of CO2 emissions of new cars sold. Specifically, correct fuel quality could reduce new car emissions by over 20%. Moreover, improved quality fuel contained fewer harmful pollutants, notably benzene and sulphur, which would contribute to improved air quality regardless of the age or type of the vehicle.

A further important requirement to improve urban air quality and reduce the health costs of air pollution in South Africa, was the need for measures to replace older, high pollution vehicles with more fuel efficient, less carbon emitting products. This also represented a matter requiring further attention.

Regarding the impact of the additional taxation measures on buyers of new cars, the overall additional cost to consumers, across the board, would be of the order of 2%. The additional tax burden amounted to about R1, 2 billion per annum based on 2010 projected new car sales. There was no doubt that an increase to new car buyers of at least 2% would depress sales volumes and could have negative implications on industry employment levels. NAAMSA would have preferred to have seen more emphasis on an analysis of the socio-economic impact of the planned CO2 new car emissions taxation and the quantification of the expected impact of the tax regime on sales volumes and on the structure of the new car and used car markets in South Africa as well as on inflation and employment. The timing of the introduction of the tax was also questionable given the current fragile state of the industry which was at the initial stage of emerging from an extremely severe recession in domestic new vehicle sales over the past three years compounded by the negative impact on export sales as a result of the global economic crisis. The impending higher taxes would do little to assist and support the much needed recovery in domestic sales.

4.5 Sin Tax

A sin tax is a kind of sumptuary tax: a tax specifically levied on certain generally socially proscribed goods, usually alcohol and tobacco.

South African consumers are likely to feel the pinch with increased sin tax (on the likes of cigarettes, alcohol and potentially gambling). Anti-smoking activist groups were complaining that the increase in cigarette taxes were not enough – in Europe, almost 80% of the cost of a pack of smokes is tax.

Module 5

Tax responsibility and Record keeping

This Module deals with:

- Legal tax avoidance with examples
- Illegal tax evasion compared to legal tax avoidance
- Possible sources of personal income in terms of earnings or declarable income
- Ways that the South African Revenue Service (SARS) has of checking information submitted in tax returns and an indication of the penalties for non-submission of a tax return and/or the submission of false information
- A filing system for keeping accurate tax related information and an indication of the kind of documents that should be retained for tax purposes
- An individual's moral obligation to pay taxes in terms of human rights, one's role in a democratic society and good citizenship

5.1 Legal tax avoidance with examples

It's fair to say that the vast majority would like to pay less tax, and would use any legal means possible to reduce their tax burden provided that the measures are relatively uncomplicated and inexpensive to implement. Many a retirement annuity product has in fact been sold on the basis of the tax relief obtained as a result of contributions to such funds.

Courts have on numerous occasions held that every taxpayer has a legitimate right to minimise the amount of tax payable within the confines of the law. This means that if the South African Revenue Service (SARS) is seeking any protection from such "tax avoidance", as it is known, it can only rely on measures contained in the relevant legislation.

Tax evasion, on the other hand, is the reduction of one's tax liability using illegal means, such as falsifying records, failure to declare income, claiming false deductions, and so forth. There is no statutory provision aimed at coping with this kind of behaviour, since tax evasion is considered to be a criminal offence punishable by a fine and/or imprisonment for up to two years.

- **Making tax-efficient donations**

One of the disadvantages of being a minister who has a tax background is that you tend to be asked quite frequently by congregants how one can contribute financially to the church and claim such contributions for income tax purposes.

The short answer is: you can't. However, most (if not all) churches carry out activities aimed at uplifting the surrounding community, and with the massive expansion of the list of activities that qualify for deduction of donations under Section 18A of the Income Tax

Act, don't be surprised if you start seeing such activities being housed in separate legal entities.

Ministries to those living with HIV / AIDS, literacy and numeracy programmes, and the like are starting to find themselves in Section 21 companies with public benefit organisation status, thereby enabling contributors to be issued with a receipt to enable them to claim a tax deduction.

However, more ingenious schemes have been developed over the years in order to channel funds to non-qualifying organisations (such as the church itself), shall we say, more "tax efficiently". And the legislators have responded accordingly. For instance, instructing your employer to deduct funds from your salary (pre-tax, of course) and to donate them to an organisation of your choice is going to fall foul of the "gross income" definition contained in Section 1.

This provision states that if an amount has accrued to you, in other words you have become unconditionally entitled to the amount (for instance by virtue of having rendered services), the tax liability rests with you.

Persons employed by such organisations that also wish to make financial contributions to the organisation that is employing them may not request that such contribution be deducted pre-tax. While there is nothing wrong in instructing your organization's payroll department to deduct such contributions, this needs to be done on an after-tax basis unless the donation concerned qualifies for deduction under Section 18A, <u>and</u> such deduction is less than 5% of the taxable income earned. (While you <u>can</u> make tax-deductible donations to qualifying charities up to 10% of taxable income, the amount that can be taken into account for monthly PAYE purposes is limited to 5%.

Any excess can be claimed when submitting your tax return, up to the applicable limits, provided that you have the appropriate Section 18A receipt).

The only way to "contribute" to a non-qualifying organisation in a tax-efficient manner is to render unpaid services. One way that this can be done is by performing duties that fall outside of your job description. For instance, my church pays me a stipend in order to perform certain functions as minister.

The other way, of course, is if you work for such an organisation and agree contractually to accept a rate of pay that is less than the going rate for the particular position. This would however need to be done upfront, since such income must not be regarded as having been accrued to the person rendering the services. For example, if a minister in a particular sized church is normally paid R5 000 per month, there is nothing stopping him or her from agreeing up front to be paid (say) R4 500 per month.

5.2 Illegal tax evasion compared to legal tax avoidance

Tax evasion refers to steps deliberately undertaken by a taxpayer to reduce a tax liability by illegal means, typically through the falsification of accounting records, financial statements and tax returns. The non-disclosure or misrepresentation of relevant information to the tax authorities usually forms the basis for tax evasion, which constitutes fraud and is a criminal offence.

Additional tax of up to twice the ordinary tax payable may be imposed by SARS in respect of income omitted from a return. Similar penalties can be raised when the amount payable by a taxpayer is less than what it should have been due to incorrect statements made in a return, for example the claiming of fictitious or inflated expenses as deductions. Tax evasion, in its various forms, is a high risk activity.

Tax avoidance is not illegal as it involves the arrangement by taxpayers of their affairs so as to limit or reduce their taxable income and tax payable within the scope of the law. The minimization by taxpayers of their tax liabilities is entirely rational and is permissible, provided only legal means are used to reduce tax obligations.

Tax avoidance is generally achieved by making the necessary arrangements in advance, through a process known as tax planning. For tax planning to be effective, and to limit the risks to taxpayers, it is best undertaken with the assistance of professional advisors having the necessary knowledge and experience to achieve the objective of tax efficiency without exposing taxpayers to undue risk.

5.3 Possible sources of personal income in terms of earnings or declarable income

Examples of income which is not remuneration

a. business income
b. investment income
c. rental income or
d. farming income.

After the end of a year of assessment an income tax return is issued to every person who is registered as a taxpayer. If a person is registered as a taxpayer but has not received an income tax return it is that persons responsibility to request a return from the Receiver of Revenue with whom he she is registered. After a taxpayer has received an income tax return the taxpayer must complete it and return it to the Receiver of Revenue within the period prescribed on the form.

Under the SITE system a taxpayer was not required to submit an income tax return if his / her net remuneration from standard employment did not exceed R60 000 (or the annual equivalent thereof if the taxpayer was not employed for the full tax year of assessment by one employer) and provided the taxpayer received no income from a source other than such remuneration.

5.4 Ways that the South African Revenue Service (SARS) has of checking information submitted in tax returns and an indication of the penalties for non-submission of a tax return and/or the submission of false information

SARS eFiling was launched in 2003 as an online replacement process for the manual tax return submissions. This free service allows individual taxpayers, tax practitioners and businesses to submit tax returns make payments and perform a number of other interactions with SARS in a secure online environment.

The eFiling service is on a par with international standards, being comparable with services offered in the US, Australia, Singapore, Ireland, Chile and France.

SARS has seen eFiling in South Africa grow significantly since it was initiated. In the 2008 tax year, more that 2 million individual tax returns were submitted through eFiling and annually over 7.5 million returns are submitted by businesses and practitioners.

SARS has tax helpers standing by to assist the taxpayer if they need any help with requesting, completing or submitting their return.

SARS is getting tougher with regard to offences and non-compliance. A false statement on VAT forms will be punishable as an offence and a fixed amount penalty table for issues of non-compliance has been introduced – what must be noted is that the penalties become monthly amounts (not one-off payments) for every month that, for example, a return is not submitted. There are very limited circumstances for waiver. SARS may also estimate employees' tax if an annual PAYE return is not submitted or if the organisation fails to deduct or pay over employees' tax.

5.5 A filing system for keeping accurate tax related information and an indication of the kind of documents that should be retained for tax purposes

To put it simply, your financial records reflect you or your company's income and expenses. Together with these records, you must also keep all other documentation (such as receipts, invoices, cancelled cheques, deposit slips, etc.) that support the entries in your records and tax returns. These "supporting documents" are very important, so file them in a logical order and store them in a safe place.

You'll need the following records:

- Those showing the assets, liabilities, undrawn profits, revaluation of fixed assets and various loans
- A register of fixed assets

- Detailed daily records of cash receipts and payments reflecting the nature of transactions and names of the parties involved (except for cash sales)
- Detailed records of credit purchases (goods and services) and sales reflecting the nature of transactions and the names of the parties involved
- Statements of annual stocktaking and supporting vouchers

If you're operating both your personal and business banking from the same account, it's best to open a separate account for your business, to enable proper record-keeping and tax filing.

5.6 An individual's moral obligation to pay taxes in terms of human rights, one's role in a democratic society and good citizenship

What is "tax morality"? It depends on which side of the fence you sit. If the advertisements of the South African Revenue Service (SARS) are anything to go by, where taxpayers are exhorted to "make South Africa great" by submitting their tax returns, one can be forgiven for perhaps feeling somewhat unpatriotic if any attempt is made to try to save some tax.

For many years, taxpayers have enjoyed the fundamental right to arrange their commercial affairs, within the constraints of tax legislation, in a manner that would minimise their tax liability. This principle has been upheld numerous times by the courts, both here in South Africa and internationally.

Also, as companies have become ever more focused on cutting costs, tax has become seen less as a fixed percentage of profits to be paid over to the revenue authorities, and more as an expense that is to be managed as aggressively as any other.

How aggressively this "cost" is managed determines the fine line between staying on the right side of the law and breaking it. The former, known as "tax planning" or "tax avoidance", is the active management of one's affairs within the law so as to pay as little tax as legally possible. The latter, known as "tax evasion", involves falsifying records, understating income, and overstating expenses, and is a criminal offence.

The sanction for tax evasion is clear and laid down in legislation. But revenue authorities have paid more and more attention to the "avoidance" side of the equation in recent years.

Anti-avoidance provisions have been part of our tax legislation for some time. While a detailed discussion of the relevant provisions is beyond the scope of this article, in essence these provisions are aimed at combating schemes whereby the underlying transactions have little commercial substance other than to obtain some or other tax benefit.

But sometimes the commercial merits of a transaction are not cut and dried, and as is the case with most tax legislation, the burden of proof rests with the taxpayer. In other words, should SARS decide to raise a query concerning a deduction that you may have claimed, you are considered "guilty until proven innocent".

If SARS was only to attack those convoluted schemes that are designed to extract a tax benefit to which one would normally not be entitled to, then there would be no problem.

In cases where there is a tax planning element, taxpayers could face further uncertainty. For example, the decision to pay a car allowance rather than have the vehicle owned by the company is partly motivated by tax considerations, based on the different tax treatment of company cars and allowances both in the hands of recipients and the employers granting such benefits. Would such a taxpayer be regarded as falling foul of "tax morality" by taking tax into account in their decision?

It seems that there is a tendency creeping in that taxpayers somehow have a "moral obligation" when it comes to their taxes. However, apart from compliance with the law, no such obligation exists. After all, history has shown that when too many taxpayers take advantage of a particular provision in tax law, the legislature has changed the law. In addition, SARS has more than enough legislation (including anti-avoidance provisions) to pursue those who overstep the mark.

While SARS gets quite tense at times that their mandate to maximise tax collections is portrayed as an adversarial relationship between itself and taxpayers, one must question how much tax would actually be collected if the payment thereof were to be made voluntary.

For a number of years, taxpayers have abused the various tax provisions with impunity, with the (then) Receiver of Revenue having little in the way of weaponry to combat such abuses. Since SARS was formed nearly 11 years ago, things have tightened up considerably to the point where the tax authorities, once derided, have now become respected. The greater compliance of taxpayers in recent years bears testimony to this.

However, the pendulum must not be allowed to swing too far. Punish the tax evaders by all means, and clamp down on those schemes that make no commercial sense but for tax benefits. But taxpayers should still be entitled to manage their tax liability as part of normal commercial transactions. There should be no "moral" or "patriotic" duty imposed on anyone to contribute more than their fair share, as required by the law.

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Annexure 1 – SARS Pocket Guide

This SARS pocket tax guide has been developed to provide a synopsis of the most important tax, duty and levy related information for 2014/15.

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 28 February 2015)

Individuals and special trusts

Taxable Income (R)	Rate of Tax (R)
0 – 174 550	18% of taxable income
174 551 – 272 700	31 419 + 25% of taxable income above 174 550
272 701 – 377 450	55 957 + 30% of taxable income above 272 700
377 451 – 528 000	87 382 + 35% of taxable income above 377 450
528 001 – 673 100	140 074 + 38% of taxable income above 528 000
673 101 and above	195 212 + 40% of taxable income above 673 100

Trusts other than special trusts: Rate of Tax 40%

Tax Rebates and Tax Thresholds

Rebates	
Primary	R12 726
Secondary (Persons 65 and older)	R7 110
Tertiary (Persons 75 and older)	R2 367

Age	**Tax Threshold**
Below age 65	R70 700
Age 65 to below 75	R110 200
Age 75 and over	R123 350

Provisional Tax

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

- Individuals below the age of 65 who do not carry on a business and whose taxable income –
  - will not exceed the tax threshold for the tax year; or
  - from interest, foreign dividends and rental will be R20 000 or less for the tax year.
- Individuals 65 years of age and older if their taxable income for the tax year –
  - consists exclusively of remuneration, interest, foreign dividends or rent from the letting of fixed property; and
  - is R120 000 or less.

A provisional tax return showing an estimation of total taxable income for the year of assessment is only to be submitted if the Commissioner for SARS so requires.

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

Foreign Dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% 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 during the 12 month period before the interest accrues or is received and who were not carrying on business in South Africa through a fixed place of business during that period of 12 months. From 1 January 2015 the debt from which the interest arises must not be effectively connected to a fixed place of business in South Africa.

Deductions

Current pension fund contributions

The greater of 7,5% of remuneration from retirement funding employment, or R1 750. Any excess may not be carried forward to the following year of assessment.

Arrear pension fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Current retirement annuity fund contributions

The greater of 15% of taxable income other than from retirement funding employment, R3 500 less current deductions to a pension fund, or R1 750. Any excess may be carried forward to the following year of assessment.

Arrear retirement annuity fund contributions

Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Medical and disability expenses

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 R257 for the individual who paid the contributions and the first dependant on the medical scheme and R172 for each additional dependant; and

- in the case of –
  - an individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year
  - any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 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 and the allowance or advance is granted to pay for –

- meals and incidental costs, an amount of R335 per day is deemed to have been expended;
- incidental costs only, an amount of R103 for each day which falls within the period is deemed to have been expended

Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal & Policy / Secondary Legislation / Income Tax Notices / 2014

Travelling allowance

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

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 80 000	25 946	92.3	27.6
80 001 - 160 000	46 203	103.1	34.6
160 001 - 240 000	66 530	112.0	38.1
240 001 - 320 000	84 351	120.5	41.6
320 001 - 400 000	102 233	128.9	48.8
400 001 - 480 000	120 997	147.9	57.3
480 001 - 560 000	139 760	152.9	71.3
exceeding 560 000	139 760	152.9	71.3

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

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

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2014 and 31 March 2015

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

INCOME TAX: SMALL BUSINESS CORPORATIONS

Financial years ending on any date between 1 April 2014 and 31 March 2015

Taxable Income (R)	Rate of Tax (R)
0 – 70 700	0% of taxable income
70 701 – 365 000	7% of taxable income above 70 700
365 001 – 550 000	20 601 + 21% of taxable income above 365 000
550 001 and above	59 451 + 28% of the amount above 550 000

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 April 2014 and 31 March 2015

Taxable turnover (R)	Rate of tax (R)
0 – 150 000	0% of taxable turnover
150 001 – 300 000	1% of taxable turnover above 150 000
300 001 – 500 000	1 500 + 2% of taxable turnover above 300 000
500 001 – 750 000	5 500 + 4% of taxable turnover above 500 000
750 001 and above	15 500 + 6% 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 and trusts.

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	13.3%
Companies	18.6%
Other trusts	26.6%

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

The following are some of the specific exclusions:

- 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 R30 000 capital gain or capital loss is granted to individuals and special trusts
- small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of
- instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

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 12% is imposed on the gross amount of royalties from a South African source payable to non-residents. The tax rate increases to 15% with effect from 1 January 2015.

Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents with effect from 1 January 2015. 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 – 600 000	0%
600 001 – 1 000 000	3% of the value above R600 000
1 000 001 – 1 500 000	R12 000 + 5% of the value above R 1000 000
1 500 001 and above	R37 000 + 8% of the value exceeding R1 500 000

Estate Duty

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

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

Donations Tax

- Donations tax is levied at a flat rate of 20% on the value of property donated.
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax.
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses and 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 2014)		Rate
Fringe benefits - interest-free or low-interest loan (official rate)		6.5% p.a.
	Rates from 1 March 2011	**Rates from 1 May 2014**
Late or underpayment of tax	8.5% p.a.	9% p.a.
Refund of overpayment of provisional tax	4.5% p.a.	5% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	8.5% p.a.	9% p.a.
Refund of VAT after prescribed period	8.5% p.a.	9% p.a.
Late payment of VAT	8.5% p.a.	9% p.a.
Customs and Excise	8.5% p.a.	9% p.a.

2014 BUDGET HIGHLIGHTS AND RECOMMENDATIONS

- Personal income tax relief of R9.25 billion.
- Tax preferred savings accounts to be made available. Further interest exemption, tax exemptions for interest, dividends and capital gains will be granted for investments of not more than R30 000 per annum per individual. Investments in bank deposits, collective investment schemes, exchange traded funds and retail savings bonds will be allowed to be offered with these tax exemptions by banks, asset managers, life insurers and brokers.
- Davis Tax Review Committee recommends the replacement of small business corporation accelerated deductions and progressive tax rates with an annual tax compliance rebate, subject to certain conditions. The committee also recommends the retention of turnover tax on micro businesses with a reduction in tax rates on taxable turnover.

Annexure 2 – 2014 Budget

ENGLISH

BUDGET 2014

PEOPLE'S GUIDE

A joint publication between National Treasury and South African Revenue Service

ISSUED BY:
National Treasury: Tel (012) 315 5757
SARS: Tel 0800 007 277
www.treasury.gov.za | www.sars.gov.za

national treasury
Department: National Treasury
REPUBLIC OF SOUTH AFRICA

SARS
At Your Service

WHAT IS THE BUDGET? In February of each year, the Finance Minister tables the national budget, whereby he announces government's spending, tax and borrowing plans for the next three years. The national budget divides money between national departments, provinces and municipalities.

BUDGET FOCUSES ON ECONOMIC GROWTH

The 2014 Budget focuses on interventions that are aimed at placing the economy on a new growth trajectory.

Government's primary goal, as expressed in the National Development Plan (NDP), is to raise real economic growth to between 5 and 6 per cent per year. This higher level of economic growth would boost revenue and enable government to increase the amount of money it spends on improving people's lives by dealing with unemployment, poverty and inequality.

The economy grew at an estimated 1.8 per cent in 2013. Domestic conditions, combined with a slow recovery in the global economy, led to a moderation in output and employment growth. The economy is expected to grow by 2.7 per cent in 2014 and reach 3.5 per cent in 2016.

Several factors will support this expected improvement. Public investment in infrastructure – expected at R847.3 billion over the next 3 years - should reduce bottlenecks in electricity and transport and encourage private investment, while stronger employment growth will support household spending. South Africa should also benefit from the improved export opportunities presented by a stronger global outlook.

WHAT THE BUDGET DOES FOR YOU

INDUSTRY SUPPORT
R10.3 billion will go towards manufacturing development incentives; R15.2 billion for the economic competitiveness and support package for businesses; R3.6 billion for job creation at special economic zones.

AGRICULTURE SUPPORT
The Agricultural Policy Action Plan will support the NDP's target of creating jobs in the agricultural sector. Government will spend over R7 billion on grants to provinces to support about 435 000 subsistence and 54 500 small farmers.

JOB CREATION
Over the next 5 years, government aims to create 6 million jobs through the Expanded Public Works Programme, from 4 million compared to the previous 5 years.

EDUCATION & TRAINING
Spending on education is higher than any other category. Over the next 3 years, R78 billion will go towards university subsidies and R34.3 billion for building schools.

FIGHTING CORRUPTION
Work by the Chief Procurement Officer to reform the procurement system and ensure that money is spent prudently has begun in earnest. These efforts are aimed at reducing corruption.

INFRASTRUCTURE
Government is committed to investing in infrastructure that improves lives. In 2014, for example, R11 billion will go to the PRASA for new rolling stocks and upgrade of signalling infrastructure.

> THE STRONG GROWTH EXPECTED IN SUB-SAHARA AFRICA WILL HELP IMPROVE SOUTH AFRICA'S ECONOMIC PROSPECTS OVER THE NEXT THREE YEARS

The building of new infrastructure and upgrading of the existing stock - including the expansion of electricity supply, investment in integrated public transport networks and the rehabilitation of the country's five large water transfer schemes - is at the centre of government's plan.

South Africa will also draw strength from the rapid expansion of trade and investment on the African continent. The strong growth expected in sub-Sahara Africa will help improve South Africa's economic prospects over the next three years. Government will therefore, increasingly align its policies to support economic integration with the African continent.

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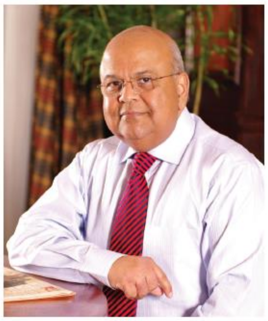
MESSAGE FROM THE MINISTER



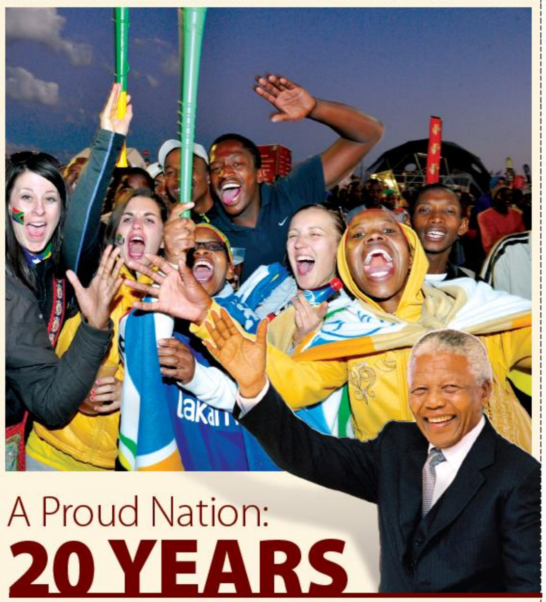
During the past 20 years we have made remarkable progress. We have stabilised government finances and have implemented policies that contributed to the improvement in the living conditions of many people. These policies were robust enough to withstand shocks such as the global financial and economic crisis experienced in 2008 and 2009.

Since 1994, our economy has expanded by more than 80 per cent, generating resources that have made it possible for government to increase the provision of public services. Government has been able to extend, among others, social grant payments to more than 15 million fellow South Africans, the majority of whom are children and our senior citizens.

Government has also built more than 2.7 million homes and has substantially increased the number of households with access to electricity, clean water, and better sanitation. The bigger economy has also created jobs, clearly not enough of them to match the growing number of job seekers.

This year's budget continues to provide resources in support of social expenditure, job creation and infrastructure that will improve the living conditions of our people. Investments in infrastructure will also ensure that we reduce the cost to businesses of moving goods within South Africa and for export markets.

We provide more money for building houses, upgrading of roads and improving the quality of health care and the facilities (clinics and hospitals) in which such care is provided.



A Proud Nation: 20 YEARS OF FREEDOM

The South African economy has transformed over the past two decades. Despite the significant problems we continue to face, South Africa is today a wealthier society, with greater access to economic opportunity and reduced levels of poverty:

SCHOOL NUTRITION
Since the school nutrition programme was taken over by the Education department in 2004, it has expanded and feeds 9.2 million school children daily.

LITERACY
In 1996, 19.1 per cent of adults had received no schooling. In 2011 this number went down to 8.7 per cent.

SANITATION
The number of households with access to a flush or chemical toilets almost doubled from 4.6 million in 1996 to over 9 million in 2011.

ACCESS TO WATER
The number of households with access to piped water has increased from 9.1 million in 1996 to 13.2 million in 2011.

CHILD MORTALITY
The rate at which children under 5 years die has dropped from 68 per 1000 births in 2000 to 41 in 2012.

HOUSES
Between 1994 and 2013, government built over 2.7 million houses.

INFANT MORTALITY
The rate at which children under the age of 1 year die has dropped from 45 per 1000 live births in 1994 to 33 in 2012.

HIV/AIDS
South Africa runs the world's largest antiretroviral programme, with over 500 000 new patients put on ARVs annually.

IMPACT OF SOCIAL SPENDING

Social spending protects low-income households and is a tool to alleviate poverty.

SCHOOLS
Government will rebuild 433 schools in the next 3 years. 60 per cent of schools do not charge fees and in 2014, 8.8 million learners will have access to free education.

HOUSING
6 metros have been targeted for a new grant of R300 million per year to build their capacity to plan for integrated human settlements. Government has set aside R899.2 million in 2014/15 for provinces to upgrade sanitation infrastructure.

HOSPITALS
The money spent on clinics, hospitals and community facilities will increase to R9.4 billion in the 2016/17 year from R9 billion in 2012/13. Priority will be on refurbishing clinics and hospitals.

SANITATION IMPROVEMENTS
Over the next 2 years, R1.9 billion will be spent on eradicating the bucket system and R15.4 billion is for regional bulk infrastructure over 3 years.

SOCIAL GRANTS

The social assistance programme is government's most direct means of combating poverty. Over the past decade, the number of social grant beneficiaries has doubled from 7.7 million in 2003/04 to 15.8 million in 2013/14. Increases in social grant values will be as follows.

	2013/14	2014/15
STATE OLD AGE GRANT	1 265	1 350
STATE OLD AGE GRANT, OVER 75s	1 285	1 370
WAR VETERANS GRANT	1 285	1 370
DISABILITY GRANT	1 265	1 350
FOSTER CARE GRANT	800	830
CARE DEPENDENCY GRANT	1 265	1 350
CHILD SUPPORT GRANT	295	315

JOB CREATION INITIATIVES

GOVERNMENT SUPPORTS EMPLOYMENT THROUGH VARIOUS INTERVENTIONS:

EXPANDED PUBLIC WORKS PROGRAMME

Since its launch in 2004, this programme has created more than 5 million mostly short-term and part-time jobs. The next phase should create 6 million jobs.

COMMUNITY WORK PROGRAMME

This programme guarantees participants 2 days of work a week, or 8 days a month, with a strong focus on generating local economic activity.

EMPLOYMENT TAX INCENTIVE

Launched in January 2014, the incentive subsidises the salaries of newly recruited 18 to 29 year old workers.

NATIONAL YOUTH SERVICE PROGRAMME

The programme trains youth to be artisans for the built environment.

IMPROVING THE QUALITY OF PRIMARY HEALTH CARE

The government provides primary health care free of charge and other health services at subsidised rates for poor South Africans. Over the next three years, government will:

1. Spend R77 billion on primary health care services and R240 billion on public hospitals.
2. Launch the Office of Health Standards Compliance in 2014/15 as an independent public entity responsible for inspecting health facilities.
3. Allocate R600 million for the introduction of the new Human Papilloma Virus (HPV) vaccine, which prevents cancer of the cervix.
4. Allocate a further R1 billion for the HIV and AIDS conditional grant in 2016/17 to continue the rollout of antiretroviral treatment. A total of 2.5 million people are currently under treatment, and 500 000 new patients are expected to join the programme each year.
5. Accelerate the provision of infrastructure in the pilot districts for the National Health Insurance and contracting general practitioners. R19.3 billion will be for refurbishing clinics and hospitals and R1.2 billion for contracts of general practitioners.

WHERE THE MONEY COMES FROM

TAX REVENUE	2014/15	%
PERSONAL INCOME TAX	335,9 BN	33,8
CORPORATE INCOME TAX	198,9 BN	20,0
VAT	267,2 BN	26,9
CUSTOMS AND EXCISE DUTIES	81,4 BN	8,2
FUEL LEVIES	47,5 BN	4,8
OTHER	62,7 BN	6,3
TOTAL	993,7 BN	100,0

HOW MUCH WE BORROW/PAY BACK

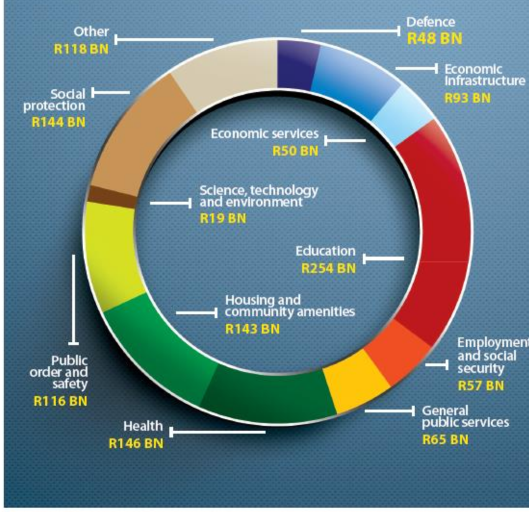
South Africa raises revenue through taxes. If the revenue collected is less than planned expenditure, the government borrows the difference.

For the 2014/15 year, government estimates tax collections to be R1.099 trillion while expenditure is estimated at R1.25 trillion. Government will have to borrow R153.1 billion from investors both locally and abroad by issuing bonds. Due to weak tax revenue, government debt has increased from R5.26 billion in 2008/09 to R1.6 trillion by the end of 2014/15.

Debt service costs have increased substantially from R54.4 billion in 2008/09 and will reach R139.2 billion by 2016/17. This increasing debt burden means more money is being spent on servicing debt instead of financing priority projects such as infrastructure, education, health and job-creation initiatives.

Government is cognisant of the risks associated with accumulated debt and would like departments to work more efficiently with public funds and reduce wastage.

HOW IT WILL BE SPENT



DAVIS TAX COMMITTEE: FOCUS ON SMALL BUSINESSES

Small business corporations are taxed at progressive tax rates. This relief does not address tax compliance costs and only benefits profitable businesses. The Davis Tax Committee recommends replacing the current progressive tax rate structure with a tax compliance tax rebate for tax compliant small and medium businesses.

A further recommendation by the committee is to retain the turnover tax for micro businesses. It however recommends that the level of turnover taxable at a zero tax rate be increased and that the maximum tax rate be reduced from 6 to 5 per cent.

Public consultation on these recommendations will commence shortly.

TAX RELIEF FOR INDIVIDUAL TAXPAYERS

The Budget provides for personal income tax relief of R9.25 billion for individual taxpayers. Personal income tax brackets and rebates have been adjusted to give relief for the effect of inflation. The tax relief has been structured to benefit taxpayers who earn below R350 000 in a year the most.

Therefore, 56 per cent of the relief will go to those taxpayers and 30 per cent will go the taxpayers who earn between R350 000 and R750 000 a year.

The amount an individual can earn before they are required to pay tax has been raised for the tax year that runs from 1 March 2014 to 28 February 2015 as follows:

TAX THRESHOLDS	TAX YEAR: 2013/14	TAX YEAR: 2014/15
Below age 65	R67 111	R70 700
Age 65 and over	R104 611	R110 200
Age 75 and over	R117 111	R123 350

The rebate (the reduction in the tax you have to pay) for individual taxpayers has also gone up as follows:

TAX REBATES	TAX YEAR: 2013/14	TAX YEAR: 2014/15
Primary (for all taxpayers)	R12 080	R12 726
Secondary (aged 65 and over)	R6 750	R7 110
Tertiary (aged 75 and over)	R2 250	R2 367

WHAT THE NEW TAX RATES WILL MEAN FOR YOUR POCKET

Tax payable for the tax year ending 28 February 2015

TAXABLE INCOME OF INDIVIDUALS (R)	TAX PAYABLE (R)
0 to 174 550	18% of taxable income
174 551 to 272 700	31 419 + 25% of taxable income above 174 550
272 701 to 377 450	55 957 + 30% of taxable income above 272 700
377 451 to 528 000	87 382 + 35% of taxable income above 377 450
528 001 to 673 100	140 074 + 38% of taxable income above 528 000
673 101 and above	195 212 + 40% of taxable income above 673 100
Trusts other than special trusts	Rate of Tax: 40%

TOBACCO, ALCOHOL EXCISE DUTIES TO RISE

Excise duties on alcoholic beverages (especially beer, sparkling wine and spirits) will increase by between 6.2 and 12 per cent. There is no rise in the excise duty on traditional African beer or beer powder. The rises in excise duties are as follows:

	INCREASES BY:
Malt beer	9c per 340ml can
Unfortified wine	13c per 750ml bottle
Fortified wine	27c per 750ml bottle
Sparkling wine	62c per 750ml bottle
Ciders and alcoholic fruit beverages	9c per 330ml bottle
Spirits	R4.76 per 750ml bottle
Cigarettes	68c per packet of 20
Cigarette tobacco	87c per 50g
Pipe tobacco	9c per 25g
Cigars	R5.11 per 23g

INCREASES IN FUEL LEVIES

The general fuel levy and the Road Accident Fund levy will increase by 12c per litre and 8c per litre respectively as from 2 April 2014. This will push up the general fuel levy on petrol to R2.25 per litre of petrol and to R2.10 per litre of diesel.

TAX BREAKS FOR SAVING PLANS

To encourage individuals to save in tax-preferred savings accounts, tax exemptions for interest, dividends and capital gains will be granted for investments of not more than R30 000 per annum per individual.

Investments in bank deposits, collective investment schemes, exchange traded funds and retail savings bonds will be allowed to be offered in these savings accounts by banks, asset managers, life insurers and brokers. Further details will be available over the course of the next 12 months.

Lump sum payments from retirement funds are taxed using different tax tables from those that apply to other taxable income. The rates for these lump sums are to be adjusted to limit instances where lower income taxpayers are required to pay tax on lump sums even though they did not benefit from a deduction for contributions to the retirement fund because their taxable income was below the tax threshold.

The adjustments will have the effect that a lump sum payable on retirement will be tax free if the amount is R500 000 or less.