



## A QUICK GUIDE TO YOUR TAX

Compiled by Anthony Priday | Lifeforce Financial Services

<b>Tax thresholds for the 2016 financial year</b> (ending 28 <sup>th</sup> February 2016)	
<b>Liability for tax commences at:</b>	<b>R</b>
under 65 years	73 650
over 65 years	114 800
over 75 years	128 500
<b>Tax rebates (Amounts deductible from tax payable)</b>	
Primary: All natural persons	13 257
Secondary: All natural persons 65 years and older	7407
Third: All natural persons 75 years and older	2 466
<b>Local interest exemption</b>	
All natural persons under 65 years	23 800
All natural persons 65 years and older	34 500

Note: All interest earned by a non-resident will not be included in the taxable income of such non-resident provided the non-resident was not present in South Africa for more than 183 days during the preceding 12 months during which such interest accrued. As from 1 July 2013 this concession is further subject to the provision that the non-resident not conduct business through a permanent establishment in South Africa.

### **Local Dividends**

As from 1<sup>st</sup> April 2012 local dividends are subject to a dividend withholding tax of 15%. This tax is deducted by the company declaring the dividend and is not subject to further tax in the hands of the recipient.

### **Foreign Dividends**

As from 1<sup>st</sup> March 2012 foreign dividends received by individual shareholders are subject to a minimum taxation rate of 15%. Taxpayers are not permitted any deductions in respect of production of such dividend income. Foreign dividends are free of tax in the hands of a South African shareholder provided the shareholder holds at least 10% of the equity and voting rights in the foreign company declaring such dividend.

## **DEDUCTIONS**

Amounts deductible from income include:

### **Current pension fund contributions**

Greater of 7.5% of remuneration, or R1 750

And arrear contributions of R1 800 per annum

## Current retirement annuity contributions

**From March 2014 an employer's contribution to retirement funds, made on behalf of an employee, will be treated as a taxable fringe benefit in the hands of the employee.** As from 1st March 2015, individuals be allowed to deduct up to 27.5% with an annual maximum of R350 000.

## Medical and physical disability expenses

### a. Under 65 years of age

Effective from 1 March 2012 the capping system was replaced with a medical aid tax credit, bringing in equality for all taxpayers under the age of 65 and improved benefits for lower earners.

Monthly Medical tax credit Principal member	R270
Monthly Medical tax credit First dependant	R270
Monthly Medical tax credit each Additional dependant	R181 each

Note these tax credits will serve to increase the tax threshold listed above.

a) 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).

b. 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;

Note: ensure that SARS recognises the disability, which is claimable in respect of the taxpayer, spouse or dependant.

## Approved educational and charitable donations

Limited to 10% of taxable income

## Tax tables for the 2016 year of assessment Individuals, Estates and Special Trusts

TAXABLE INCOME	RATES OF NORMAL TAX
0 - 181 900	18 % of taxable income
181 901 - 284 100	32 742 + 26% of the amount over 181 900
284 101 - 393 200	59 314 + 31% of the amount over 284 100
393 201 - 550 100	93 135 + 36% of the amount over 393 200
550 101 - 701 300	149 619 + 39% of the amount over 550 100
701 301 and above	208 587 + 41% of the amount over 701 300

Note special trusts are those trusts established for the benefit of ill or disabled persons and testamentary trusts established for the benefit of minor children.

### Exclusions from provisional tax system

**Over 65** – taxable income does not exceed R120 000 pa and is derived

Solely from remuneration, interest, dividends and rental.

**Under 65** – taxable income does not exceed tax threshold or where taxable

**Income derived from interest, dividends and rental** - does not exceed R20 000.

### Provisional Tax Payments

Provisional taxpayers with a taxable income of less than R1m

Acceptance of the basic amount will free the taxpayer from the imposition of any penalties as a result of underestimation of provisional tax. The basic amount is equal to the assessed taxable income in the latest tax year compounded at 8% per annum. Alternatively the actual assessed tax must be within 90% of the provisional declaration.

### Provisional Taxpayers with an income exceeding R1m

The provisional tax estimate for the second provisional tax period must be within 80% of the actual taxable income for that year. The penalties imposed for underestimation of provisional tax assessments can be punitive. Taxpayers are cautioned to give critical attention to the 2<sup>nd</sup> provisional tax return.

### Travelling allowances

The table below may be used to determine the tax-free component of a travel allowance received by an employee:

WHERE THE VALUE OF THE VEHICLE	FIXED COST	FUEL COST	MAINT COST
	R	c	c
Does not exceed R80 000	26105	78.7	29.3
Exceeds R80 001 but does not exceed R160 000	46505	87.9	36.7
Exceeds R160 001 but does not exceed R240 000	66976	95.5	40.4
Exceeds R240 001 but does not exceed R320 000	84945	102.7	44.1
Exceeds R320 001 but does not exceed R400 000	102974	109.9	51.8
Exceeds R400 001 but does not exceed R480 000	121886	126.1	60.8
Exceeds R480 001 but does not exceed R560 000	140797	130.4	75.6
Exceeds R560 00	140797	130.4	75.6

Notes:

1. Opening and closing odometer readings must be recorded, and a logbook recording business travel need to be maintained. Discovery Insure's Vitality Drive tracker offers an acceptable aid for maintaining a compliant logbook.

2. PAYE to be deducted from 80% of travel allowance

3. Where the allowance is based on actual distance travelled employee may elect to determine the tax-free component of a travel allowance at a rate of 318c/km. This payment is regardless of the value of the vehicle

### Right of use of motor vehicle

The monthly value for private use is 3.5% of the determined value of the Vehicle (cost including VAT but excluding finance charges). This monthly value is reduced to 3.25% where the vehicle is subject to a maintenance plan.

80% of the fringe benefit must be included in the employee's remuneration for the purpose 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.

When the employee bears the full cost of maintenance, insurance, licensing or fuel and accurate records of distances travelled and maintained, the taxable value is subject to adjustment on assessment.

### Subsistence allowances

Applicable where an employee spends at least one night away on employer business. The tax-free portions are:

#### Travel within South Africa

Incidental costs R109 per day  
 Incidental costs and meals R353 per day

#### Travel outside South Africa

Please download the Foreign Travel Allowance for 2015.

### Capital gains tax (CGT)

CGT does not apply, *inter alia*, to the disposals of a primary residence up to a gross value of R2 million. R2 million of gain in respect of the disposal of a primary residence with a gross value exceeding R2 million is also excluded.

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;

33.3% of gains included in taxable income in the case of individuals, and 66.6% in the case of companies, close corporations and trusts.

Individuals – the first R30 000 of annual capital gains and losses are excluded.

### Transfer duty

Immovable property includes an interest in a residential property company, Close corporation or Trust.

#### Natural persons, companies, close corporations and trusts

VALUE OF PROPERTY	TRANSFER DUTY PAYABLE
R 0 – R 750 000	0%
R 750 001 – R 1 250 000	3% of the amount over R 750 000
R 1 250 001 – R 1 750 000	15 000 + 6% of the amount over R 1 250 000
R 1 750 001 – R 2 250 000	45 000 + 8% of the amount over R 1 750 000
R 2 250 001 and above	85 000 + 11% of the amount over R 2 250 000

### Estate duty

- a. 20%
- b. Primary abatement – R3.5 million

- c. In addition, specific deductions. *Inter alia* funeral and deathbed expenses, debts due, administration charges, bequests to any public benefit organisation, which is exempt from tax and bequests and property left to a surviving spouse, are allowable.

#### **Donations tax**

- a. 20%
- b. The first R100 000 of property donated in each tax year by a natural person is exempt from donations tax
- c. In the case of a taxpayer that is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 in total
- d. Dispositions between spouses, and donations to public benefit organisations are exempt from donations tax.

#### **EXCHANGE CONTROL GUIDE LINES (SOUTH AFRICAN RESIDENTS)**

##### **Single discretionary allowance (including travel)**

Adult                R 1 million per calendar year

##### **Travel allowance**

Under 18           R 200 000 per calendar year

##### **Foreign capital allowance**

##### **Residents**

R10 million per calendar year for individuals over 18 who are taxpayers in good standing.

##### **Emigrants**

R10 million for individuals over 18 (R20 million per family unit) in a year of Emigration. Excess subject to application, without any exit surcharge.

Unfortunately SARS as at 10<sup>th</sup> April were still unable to process applications in excess of R4 million without being subject to audit.

#### **FOR MORE INFORMATION:**

Anthony Priday

[anthonyp@life-force.co.za](mailto:anthonyp@life-force.co.za)