

Pocket tax guide | 2011/12

# the budget & you

2011



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OLD MUTUAL

## Individual, special trusts <sup>(N1)</sup>, insolvent and deceased estates

Year of assessment ending 28 February 2011

Taxable income (R)	Rate of tax (R)
0 – 140 000	18% of each R1
140 001 - 221 000	25 200 + 25% of the amount above 140 000
221 001 - 305 000	45 450 + 30% of the amount above 221 000
305 001 - 431 000	70 650 + 35% of the amount above 305 000
431 001 - 552 000	114 750 + 38% of the amount above 431 000
552 001 and above	160 730 + 40% of the amount above 552 000

(N1) A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of minor children.

Trusts	2012	2011
Trusts (other than special trusts) for years of assessment ending on 28/29 February	40%	40%

## COMPANIES AND CLOSE CORPORATIONS (OTHER THAN CERTAIN GOLD MINING COMPANIES AND LONG-TERM INSURERS)

Year of assessment ended during the period of 12 months ending 31 March

Normal tax on taxable income	2012	2011
Companies (other than entities below)	28%	28%
Turnover-based presumptive tax system (elective) for micro businesses (turnover not exceeding R1 000 000) <sup>(N3)</sup>	0%-7% of turn-over	0%-7% of turn-over
Non-resident companies with a branch in the Republic on SA source income	33%	33%
Personal service providers	33%	33%
Small business corporations 2012 <sup>(N1)</sup> taxable income: 0 - R59 750 R59 751 - R300 000 R300 001 and above	0% 10% of the amount above R59 750 R24 025 + 28% of the amount above R300 000	
Small business corporations 2011 <sup>(N1)</sup> taxable income: 0 -R57 000 R57 001 - R300 000 R300 001 and above	0% 10% of the amount above R57 000 R24 300 + 28% of the amount above R300 000	
Public benefit organisations and recreational clubs (trading income only)	28%	28%
STC payable on 'net amount' of dividend declared	10%	10%

(N1) Primary requirements to qualify as a Small Business Corporation: all the shares are held by individuals, none of whom hold shares in any other company (other than listed shares, unit trusts and shares in certain tax exempt entities); the gross income of the corporation may not exceed R14 million for the year of assessment; not more than 20% of the gross income of the company may comprise investment income and income from rendering a personal service and is not an 'employment company' or 'personal service provider'.

## USEFUL INFORMATION AT A GLANCE

Rebates and Thresholds	2012	2011
Primary rebate for individuals	R10 755	R10 260
Secondary rebate (65 years of age or older) (in addition to primary rebate)	R6 012	R5 675
Tertiary rebate (75 year of age or older) (in addition to primary and secondary rebate)	R2 000	R0
Tax threshold for individuals under 65 years of age	R59 750	R57 000
Tax threshold for individuals 65 years of age to below 75 years of age	R93 150	R88 528
Tax threshold for individuals 75 years of age or older	R104 261	R88 528

### Interest and Foreign Dividend Exemption

Local interest exemption for individuals under 65 years of age <sup>(N1)</sup>	R22 800	R22 300
Local interest exemption for individuals 65 years of age or older <sup>(N1)</sup>	R33 000	R32 000
Foreign interest and foreign dividend exemption (applies first to foreign dividends) <sup>(N2)</sup>	R3 700	R3 700

(N1) Reduced by foreign interest and foreign dividend exemption utilised.

(N2) Local dividends are mostly exempt from tax.

### Donations Tax and Estate Duty

Donations tax rate	20%	20%
Donations tax – annual exemption (individuals only)	R100 000	R100 000
Estate duty rate	20%	20%
Estate duty abatement <sup>(N1)</sup>	R3.5 m	R3.5 m

(N1) Where the deceased was the spouse at the time of death of a previously deceased person, the estate duty abatement is R7m less the abatement utilised in the estate of the previously deceased person.

Capital Gains Tax	2012	2011
Annual capital gain/loss exclusion	R20 000	R17 500
Primary residence exclusion <sup>(N1)</sup>	R1.5 m	R1.5 m
Exclusion on death	R200 000	R120 000
Once-off relief for disposal of qualifying small business assets <sup>(N2)</sup>	R900 000	R750 000
Effective CGT rate – individuals and special trusts	0 - 10%	0 - 10%
Effective CGT rate – companies	14%	14%
Effective CGT rate – trusts	20%	20%

(N1) The primary residence exclusion reduces losses as well as gains on the disposal of a primary residence. There is a further exclusion where proceeds from the disposal of a primary residence are R2m or less.

(N2) Applies if seller is 55 years of age or older.

## TRAVEL ALLOWANCE

	2012	2011
Travel allowance subject to PAYE	80%	80% <sup>(N1)</sup>
Travel allowance - maximum vehicle value <sup>(N2)</sup>	R480 000	R400 000

(N1) Where the employee is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the travel allowance.

(N2) In terms of both the deemed and actual cost reduction methods, the value of the vehicle is capped at this amount.

## Travel allowance - deemed expenditure scale as an alternative to actual data applicable for the year ending 29 February 2012

Value of the vehicle (including VAT)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
R0 - R60 000	19 492	64.6	26.4
R60 001 - R120 000	38 726	68.0	29.2
R120 001 - R180 000	52 594	71.3	31.9
R180 001 - R240 000	66 440	77.7	35.0
R240 001 - R300 000	79 185	87.0	44.7
R300 001 - R360 000	91 873	93.9	54.2
R360 001 - R420 000	105 809	100.9	65.8
R420 001 - R480 000	119 683	113.1	67.6
Exceeding R480 000	119 683	113.1	67.6

### Reimbursement based travel allowance

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,05 per kilometre, no tax will be payable provided:

- the travel allowance is based on actual business kilometres travelled; and
- the distance travelled in the vehicle for business purposes during the year of assessment does not exceed 8 000 kilometres; or
- where more than one vehicle has been used, the total distance travelled in those vehicles for business purposes does not exceed 8 000 kilometres; and
- no other compensation in the form of a further travel allowance or reimbursement is paid by the employer to the employee.

## COMPANY CAR

Company car	2012	2011
Taxable value per month		
• First company car:		
– If no maintenance plan	3.5%	2.5%
– If subject to maintenance plan	3.25%	2.5%
• Second and subsequent company cars (not used primarily for business):		
– If no maintenance plan	3.5%	4%
– If subject to maintenance plan	3.25%	4%

### Notes:

1. The above monthly rates apply to the determined value of the vehicle. From 1 March 2011 VAT is to be included in calculating the determined value.
2. For the year ended 28 February 2011, the monthly rate was reduced by 0,22% per month if the employee bore all fuel costs in relation to the private use of the vehicle and by 0,18% per month if the employee bore the full maintenance expense of the vehicle. The reductions did not apply where the employee received a travel allowance.
3. From 1 March 2011, reductions to the fringe benefit value for private travel and / or costs borne by the employee for insurance, maintenance or fuel for private travel will only be made on assessment. In order to claim a reduction, a logbook will need to be maintained. 80% of the fringe benefit value, not reduced for private use or costs above, is subject to PAYE. Where the employer is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the fringe benefit value.

## DEDUCTIONS FROM INCOME - INDIVIDUALS

### Pension fund contributions

The deductible amount for current contributions is limited to the greater of (1) 7.5% of retirement funding income or (2) R1 750.

### Retirement annuity fund contributions

The deductible amount for current contributions is limited to the greater of (1) 15% of non-retirement funding income (including investment income), or (2) R3 500 less the deductible current pension fund contributions or (3) R1 750.

### Medical expenses

Medical expenses that may be deducted by taxpayers under the age of 65 are as follows:

- (a) the contributions to a medical aid fund including employer contributions taxed as a fringe benefit: R720 per month for each of the first two beneficiaries and R440 per month for each additional dependant; and
- (b) so much of any contributions to a medical aid that were not deductible in terms of (a) above (including employer contributions taxed as a fringe benefit) plus other qualifying medical expenses (for example scripted medicine or doctor's consultation fees) as exceeds 7.5% of the taxpayers taxable income.

If the taxpayer is 65 years or older, or the taxpayer, spouse or child is disabled, all contributions, qualifying expenses and expenses prescribed by the Commissioner in consequence of disability will be deductible.

### Donations to certain Public Benefit Organisations

The deduction is limited to 10% of taxable income calculated before deducting medical expenses (in the case of individuals). In the case of juristic persons the deduction is limited to 10% of taxable income. The deduction claimed must be supported by a Section 18A certificate issued by the PBO. A deduction for PAYE purposes may be allowed ('Payroll Giving').

## TRANSFER DUTY

Transfer duty is calculated on the value of fixed property acquired to the extent to which the acquisition is not subject to VAT. In respect of properties acquired under an agreement concluded on or after 23 February 2011, the rate is as follows, irrespective of juristic nature of the acquiror of the property:

<b>Property value</b>	<b>Rate</b>
R0 – R600 000	0%
R600 001 – R1 000 000	3% of the value in excess of R600 000
R1 000 001 – R1 500 000	R12 000 plus 5% of the value in excess of R1 000 000
R1 500 001 and above	R37 000 plus 8% of the value in excess of R1 500 000

## SKILLS DEVELOPMENT LEVY (SDL)

Employers with a payroll of R500 000 or more per annum must account for SDL. SDL is calculated at 1% of the leviable amount of the monthly payroll including directors' fees.

## VALUE ADDED TAX (VAT)

VAT is levied on taxable supplies by registered VAT vendors at the standard rate of 14%. A number of supplies are zero rated, for example, goods exported from the Republic or classified as exempt supplies (for example, financial services and residential accommodation).

## WITHHOLDING TAXES

A withholding tax is levied in the Republic on the following amounts (subject to double tax treaty relief):

### Royalties and similar payments to non-residents

A final withholding tax at the rate of 12% of the gross royalties payable in respect of royalties paid to non-residents for the use of patents, designs etc. in the Republic.

### Disposal of immovable property

A withholding tax in advance of a non-resident's capital gains tax liability must be withheld by the purchaser in respect of the disposal by a non-resident of immovable property with a value in excess of R2m. The rates are: 5% of the purchase price if the seller is a natural person, 7.5% if the seller is a company and 10% if the seller is a trust.

## Foreign entertainers and sportspersons

A final withholding tax of 15% of the gross revenue is payable.

## SECURITIES TRANSFER TAX (STT)

STT is levied at a rate of 0.25% on the fair value of transfer or redemptions of listed or unlisted securities, including members interests in close corporations.

## TAXES PROPOSED

A withholding tax on dividends will replace the current secondary tax on companies and a withholding tax on interest paid to non-residents is to be introduced. The withholding tax on dividends will take effect on 1 April 2012 and the withholding tax on interest paid to non-residents will come into effect on 1 January 2013.

## INTEREST RATES PAYABLE / RECEIVABLE

Effective date of change	Amounts owing to SARS <sup>(1)</sup>	Amounts owing by SARS <sup>(2)</sup>
1 September 2008	15%	11%
1 May 2009	13.5%	9.5%
1 July 2009	12.5%	8.5%
1 August 2009	11.5%	7.5%
1 September 2009	10.5%	6.5%
1 July 2010	9.5%	5.5%
1 March 2011	8.5%	4.5%

Notes:

- (1) This rate also applies to refunds of tax by SARS where an appeal is upheld in court or conceded by SARS and certain delayed refunds by SARS.
- (2) Interest rates payable on credit amounts (overpayment of provisional tax) under s 89quat(4).

## OFFICIAL RATE OF INTEREST (FRINGE BENEFITS)

Effective date of change	Official rate
1 September 2008	13%
1 March 2009	11.5%
1 June 2009	9.5%
1 July 2009	8.5%
1 September 2009	8%
1 October 2010	7%

**With effect from 1 March 2011 the official rate of interest is:**

- Loan in Rands: 100 basis points above the repurchase (repo) rate
- Loan in foreign currency: 100 basis points above the equivalent of the repo rate for that currency

Where the repo rate changes the official rate changes from the commencement of the following calendar month.

## PAYMENT DATES

### Provisional Tax

- first at half year
- second at year end
- third (voluntary top up) 6 months after year end unless year end is February in which case 7 months after year end

<b>PAYE</b>	7 days after month end
<b>VAT</b>	25th day after period end (last business day if electronically submitted and paid)
<b>SDL</b>	7 days after month end
<b>STC</b>	end of the month following a dividend cycle
<b>UIF</b>	7 days after month end
<b>STT</b>	Listed securities – 14th day of the month following transfer Unlisted securities - within 2 months from the end of the month of transfer

Where the payment date falls on a public holiday or a weekend then payment is due on the last business day preceding that date.

## RATES OF TAX

### Individual, special trusts<sup>(N1)</sup>, insolvent and deceased estates

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455 001 - 580 000	120 750 + 38% of the amount above 455 000
580 001 and above	168 250 + 40% of the amount above 580 000

(N1) A special trust is a trust created solely for the benefit of a disabled person, or a testamentary trust for the benefit of minor children.

Separate tables apply to lump sums from approved pension, provident and retirement annuity funds.



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