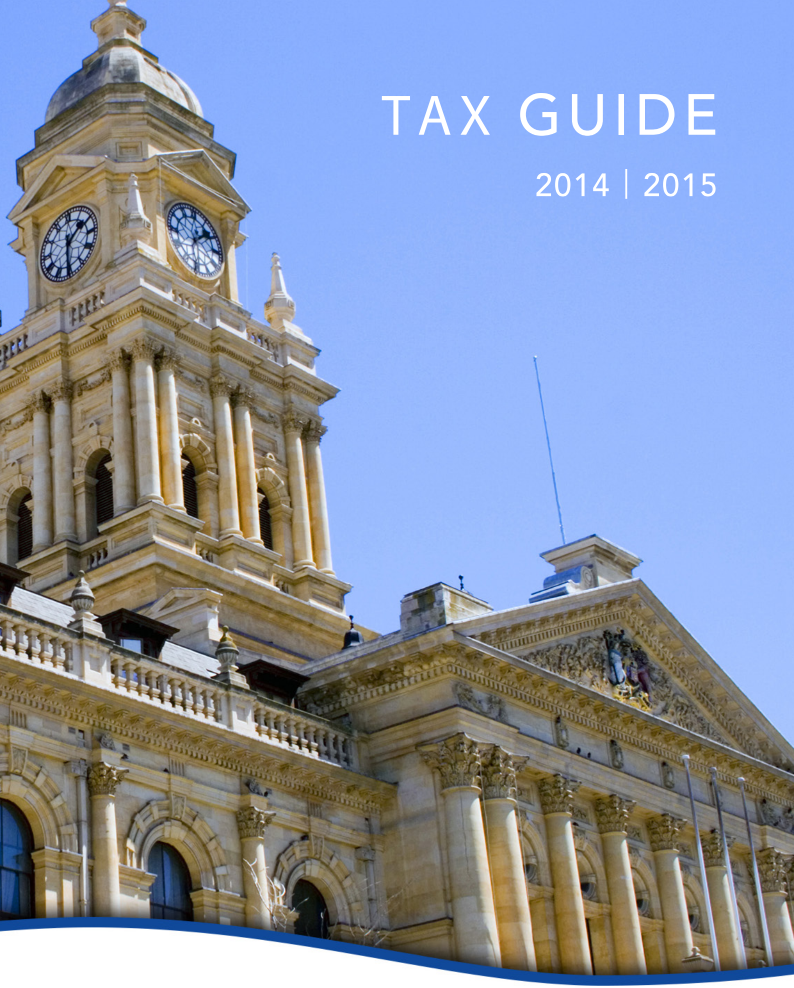
TAX GUIDE

2014 | 2015



Cecil Kilpin & Co.

Chartered Accountants (SA)

Cecil Kilpin & Co.
Chartered Accountants (SA)

1 Waterford Mews Century Boulevard CENTURY CITY 7441

PO Box 74 CENTURY CITY 7446

Telephone: 021 527 4060 Fax: 021 551 0508
E-mail: info@cecilkilpin.co.za
Website: www.cecilkilpin.co.za

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22 Hout Street VREDENBURG 7380

PO Box 12 VREDENBURG 7380

Telephone: 022 713 1241 Fax: 022 715 1506
E-mail: ckadmin@cecilkilpin.co.za

PARTNERS

ANDRÉ MINNË CA (SA), RA

NILS NYBACK B.Com, CA (SA), RA

MYNHARDT BRANDERS B.Acc (Hons), CA (SA), RA

SIDNEY SCHONEGEVEL B.Com (Hons), CA (SA), RA

MELANIE SPENCER B.Com (Hons), CA (SA), RA

TAX

Erik Conradie B.Compt (Hons), PG.Dip (Tax)

Cecil Kilpin & Co.
Chartered Accountants (SA)

THE FIRM AND ITS PHILOSOPHY

Cecil Kilpin & Co. can trace its roots back to 1902, and their primary philosophy is to work with each of their clients to ensure the protection and enhancement of their financial interest.

In order to carry out the aforementioned philosophy effectively it has always been the partners "modus operandi" to build a personal relationship with each of the firm's clients, based on mutual trust and respect within the framework of confidentiality. In doing the aforementioned we offer high technical standards based on a wide range of commercial experience and tailor made realistic solutions to todays problems. The co-operation and loyalty received from our clients testifies to the commitment which we have to the aforementioned objectives.

SERVICES OFFERED

Accounting
Auditing
Company Secretarial Services
Computer Consulting and Support
Deceased Estates
Dividend Withholding Tax
Estate Planning
Exchange Control
Franchising
Insolvent Estates and Bankruptcy
Management Advisory Services
Mergers and Acquisitions
New Business Formations
Taxation
Value Added Taxation (VAT)
Wills and Trusts

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2014/2015 BUDGET HIGHLIGHTS

- Personal income tax relief amounts to R9.25 billion. About 40 per cent of the relief goes to South Africans earning below R250 000 per year.
- Tax preferred savings accounts to be made available. Further 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.
- An increase in the tax-free lump-sum amount paid out of retirement funds from R315 000 to R500 000 is proposed, benefiting especially lower income members who did not benefit from deductible contributions.
- Increases in excise duties on alcoholic beverages and tobacco products are proposed, adding 9 cents to the price of a 340ml can of beer and 68 cents to a packet of 20 cigarettes. Whisky goes up by R4.80 a bottle. These increases take effect immediately.
- In recognition of recent increases in the imported cost of fuel, the general fuel levy increase is limited to an inflation-related 12 cents per litre on 2 April 2014, and the road accident fund levy will increase by 8 cents per litre.
- Recommendations which will ease the compliance burden of small businesses:
  - The turnover tax regime will be amended to further reduce the tax burden on micro-enterprises.
  - Consideration is being given to replacing the graduated tax structure for small business corporations with a refundable tax compliance credit.
- National Treasury and the Department of Environmental Affairs have agreed that a package of measures is needed to address climate change and to reduce emissions. This will include the proposed carbon tax, environmental regulations, renewable energy projects and other targeted support programmes. To allow for further consultation,implementation of the carbon tax is postponed by a year to 2016.

COMPARATIVE TAX RATES

RATES OF TAX	2013	2014	2015
NATURAL PERSONS			
Maximum marginal rate	40%	40%	40%
■ Reached at a taxable income	617 000	638 600	673 100
Minimum rate	18%	18%	18%
■ Up to taxable income of	160 000	165 500	174 550
■ CGT inclusion rate	33.3%	33.3%	33.3%
COMPANIES & CC's			
■ Normal tax rate	28%	28%	28%
■ Dividends Tax	15%	15%	15%
■ CGT inclusion rate	66.6%	66.6%	66.6%
TRUSTS (other than special trusts)			
■ Flat rate	40%	40%	40%
■ CGT inclusion rate	66.6%	66.6%	66.6%
SUNDRY			
■ Donations Tax	20%	20%	20%
■ Estate Duty	20%	20%	20%
SMALL BUSINESS CORPORATIONS			
Maximum marginal rate	28%	28%	28%
■ Reached at a taxable income	350 000	550 000	550 000
Minimum rate	0%	0%	0%
■ Up to a taxable income of	63 556	67 111	70 700
MICRO BUSINESS			
Max Rate of Tax	6%	6%	6%
■ On turnover of	750 000	750 000	750 000
Minimum Rate	0%	0%	0%
■ Up to a turnover of	150 000	150 000	150 000

NORMAL RATES OF TAX PAYABLE BY NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2015

TAXABLE INCOME	RATES OF TAX
R0 – R174 550	+ 18% of each R1
R174 551 – R272 700	R31 419 + 25% of the amount above R174 550
R272 701 – R377 450	R55 957 + 30% of the amount above R272 700
R377 451 – R528 000	R87 382 + 35% of the amount above R377 450
R528 001 – R673 100	R140 074 + 38% of the amount above R528 000
R673 101 and above	R195 212 + 40% of the amount above R673 100

NORMAL RATES OF TAX PAYABLE BY NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2014

TAXABLE INCOME	RATES OF TAX
R0 – R165 600	+ 18% of taxable income
R165 601 – R258 750	R29 808 + 25% of taxable income above R165 600
R258 751 – R358 110	R53 096 + 30% of taxable income above R258 750
R358 111 – R500 940	R82 904 + 35% of taxable income above R358 110
R500 941 – R638 600	R132 894 + 38% of taxable income above R500 940
R638 601 and above	R185 205 + 40% of taxable income above R638 600

NORMAL RATES OF TAX PAYABLE BY NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2013

TAXABLE INCOME	RATES OF TAX
R0 – R160 000	+ 18% of taxable income
R160 001 – R250 000	R28 800 + 25% of taxable income above R160 000
R250 001 – R346 000	R51 300 + 30% of taxable income above R250 000
R346 001 – R484 000	R80 100 + 35% of taxable income above R346 000
R484 001 – R617 000	R128 400 + 38% of taxable income above R484 000
R617 001 and above	R178 940 + 40% of taxable income above R617 000

Tax rebates	**2013**	**2014**	**2015**
Primary	R11 440	R12 080	R12 726
Secondary (Persons 65 and older)	R6 390	R6 750	R7 110
Tertiary (Persons 75 and older)	R2 130	R2 250	R2 367

Tax thresholds	**2013**	**2014**	**2015**
Below age 65	R63 556	R67 111	R70 700
Age 65 to below 75	R99 056	R104 611	R110 200
Age 75 and over	R110 889	R117 111	R123 350

Interest Exemption:	**2013**	**2014**	**2015**
Below age 65	R22 800	R23 800	R23 800
Age 65 and above	R33 000	R34 500	R34 500

Travelling allowance for the Tax year ending 2015

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

WHERE THE VALUE OF THE VEHICLE IS (Including VAT)	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: *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.*

Alternative to the rate table:

When the following criteria are met no tax is payable on a reimbursive travel allowance paid by an employer to an employee:

Description	2013	2014	2015
Maximum distance travelled for business purposes per annum:	8 000	8 000	8 000
Maximum rate per kilometre paid (cents):	316	324	330

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

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.

Right of use of motor vehicle:

- Where the vehicle is owned by the employer, 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 at the time that the employer acquired the vehicle the taxable value is 3,25% of the determined value.
- Where the vehicle is rented by the employer, the monthly taxable value is equal to the actual costs incurred by the employer under the lease (rental and insurance for example) as well as the cost of fuel for the vehicle.
- 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.

Holiday accommodation *provided by employer*

Employee taxed on –

- The prevailing market rate; or
- All costs incurred if accommodation is hired by Employer

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his/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 (2014: R319) per day is deemed to have been expended;
- incidental costs only, an amount of R103 (2014: R98) per day 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.

Residential accommodation

A benefit arises where an employee has been provided with 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 less the amount paid by the employee for the accommodation. The formula will apply if the accommodation is owned by the employer, or an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

Employer provided accommodation: Low-cost housing

No fringe benefit will arise if an employee acquires a house from their employers at a discount (i.e. at a price below market value) if the following requirements are met:

1. The employee does not earn more than R250 000 in salary (i.e. remuneration) during the year of assessment immediately preceding the year of assessment in which the acquisition took place;
2. The market value of the property that is acquired may not exceed R450 000; and
3. The employee may not be a connected person in relation to the employer.

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 on any loans exceeding R3 000.

Bursaries

Bursaries are exempt from tax where:

- the bursary is granted to an employee who agrees to reimburse the employer for the bursary if the employee fails to complete his studies for reasons other than death, ill-health or injury; or
- the bursary is granted to a relative of an employee that earns less than R250 000 per annum and to the extent that the bursary does not exceed R10 000 up to NQF level 4 (i.e. matric) and R30 000 for further education.

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, or
- 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

- All taxpayers are entitled to a monthly "tax rebate" (i.e. credit) in respect of any medical scheme contributions made for the benefit of themselves and their dependants as follows:

	2015
Taxpayer	R257
First dependant	R257
Per additional dependant	R172

For additional (e.g. out-of-pocket) medical expenses incurred by individual taxpayers a tax rebate is available as follows:

- Where the taxpayer is 65 and older or where the taxpayer, taxpayer's spouse or child is a person with a disability: 33.3% of the value of the amount by which the aggregate of the medical scheme fees that exceed 3 × the standard medical scheme credits, and all qualifying medical expenses (other than medical scheme contributions);
- Other taxpayers: 25% of the value of the amount by which the aggregate of the medical scheme fees that exceed 4 × the standard medical scheme credits, and all qualifying medical expenses (other than medical scheme contributions), exceed 7.5% of the taxpayers taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit).

Income protection policies

Disability policy premiums are fully deductible.

Retirement fund lump sum withdrawal benefits

BENEFIT	RATES OF TAX
R0 – R25 000	0% of benefit
R25 001 – R660 000	18% of benefit above R25 000
R660 001 – R990 000	R114 300 + 27% of benefit above R660 000
R990 001 and above	R203 400 + 36% of benefit above R990 000

- tax determined by applying the tax table to the aggregate of that lump sum plus all other retirement fund lump sum withdrawal benefits accruing from March 2009 and all retirement fund lump sum benefits accruing from October 2007 plus severance benefits accrued from March 2011; less
- tax determined by applying the tax table to the aggregate of benefits mentioned above excluding lump sums withdrawals received for the year.

Retirement fund lump sum benefits or severance benefits

BENEFIT	RATES OF TAX
R0 – R500 000	0% of benefit
R500 001 – R700 000	18% of benefit above R500 000
R700 001 – R1 050 000	R36 000 + 27% of benefit above R700 000
R1 050 001 and above	R130 500 + 36% of benefit above R1 050 000

- tax determined by applying the tax table to the aggregate of that lump sum plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 plus severance benefits accrued from March 2011; less
- tax determined by applying the tax table to the aggregate of benefits mentioned above excluding retirement lump sums and severance benefits received for the year.

Basic amount

The basic amount is computed as the taxable income (excluding capital gain and lump sum) of the latest preceding year of assessment increased by 8% p.a. if that assessment is more than a year old.

First provisional payment

The first payment is due six months before the end of the tax year. The payment must be based on the basic amount or a lower estimate approved by SARS.

Second provisional payment

The second payment is due on the last day of the tax year. The payment must be based on an estimate of the taxable income for the year. The following two tier model is in force:

- taxable income less than R1 million – the estimate must be equal to the lesser of the basic amount or 90% of the actual taxable income, or
- taxable income greater than R1 million – the estimate must be equal to at least 80% of the actual taxable income.

3rd Provisional payment

The 3rd provisional payment is due 6 months after a taxpayer's year-end. In the case of a taxpayer with a February year-end, the "top-up" payment can be made by the end of September of every year.

Natural persons exempt from making provisional tax payments

- Natural persons under the age of 65 who do not carry on business and whose taxable income will not exceed the tax threshold or whose taxable interest, foreign dividends and rental will not exceed R20 000.
- Natural persons over 65 years of age not carrying on a business (excluding rental from letting of fixed property) with taxable income not exceeding R120 000.

Pay As You Earn (PAYE)

Any Employee's remuneration is subject to monthly deductions referred to as **PAYE**. Apart from salaries, commission etc. the following income/payments are also subject to **PAYE**:

- 80% of any travel allowance reduced to 20% if the employer is satisfied that the employee travels at least 80% of the time for business.
- Payments made to directors of private companies (including members of close corporations) in respect of services rendered.
- Remuneration paid to labour brokers/personal service providers.
- Annuities from Annuity Funds.

Directors PAYE

Directors of private companies and members of close corporations are deemed to have received a monthly remuneration, subject to PAYE, calculated in accordance with the following formula:

The balance of remuneration paid or accrued in the last year of assessment after the deduction of contributions to pension funds, retirement annuity funds, lump sum awards from the employer, benefits (including withdrawals) from retirement funds and share incentive benefits.

divided by

Number of completed months which the director/member was employed by the company/close corporation during the last year of assessment.

Actual remuneration paid is still subject to employees tax. The employees tax payable thereon must be reduced by the amount of employees tax payable on the deemed remuneration.

The formula calculated remuneration does not apply to directors of private companies and members of close corporations where they earn at least 75% of their remuneration in the form of fixed monthly payments

Resident companies (excluding personal service provider)

For years of assessment ending during the following periods:	Tax rate
1 April 2005 – 31 March 2008	29%
From 1 April 2008	28%

Non-resident companies/Branch profits

For years of assessment ending during the following periods:	Tax rate
1 April 2008 – 31 March 2012	33%
From 1 April 2012	28%

Personal service provider companies

For years of assessment ending during the following periods:	Tax rate
1 April 2011 – 31 March 2012	33%
From 1 April 2012	28%

Effective tax rate of resident company

	2013 From 1 April 2012	2014	2015
Taxable income	100.00	100.00	100.00
Less: Normal tax	28.00	28.00	28.00
Available for distribution	72.00	72.00	72.00
Less: Dividend	72.00	72.00	72.00
Less: Dividends tax	10.80	10.80	10.80
Total tax	38.80	38.80	38.80
Effective rate	38.80%	38.80%	38.80%

Note: Assumes all profits are declared as a dividend.

Years ending between 1 April 2014 and 31 March 2015	
R0 – R70 700	Nil
R70 701 – R365 000	7% of the amount above R70 700
R365 001 – R550 000	R20 601 + 21% of taxable income above R365 000
R550 001 and above	R59 451 + 28% of the amount above R550 000

Years ending between 1 April 2013 and 31 March 2014	
R0 – R67 111	Nil
R67 112 – R365 000	7% of the amount above R67 111
R365 001 – R550 000	R20 852 + 21% of taxable income above R365 000
R550 001 and above	R59 702 + 28% of amount above R550 000

A small business corporation is a close corporation or private company (other than a personal service provider) of which:

- the entire shareholding or membership is held by natural persons;
- the gross income does not exceed R20 million during the year of assessment;
- none of the members/shareholders, at any time during the year of assessment, held shares in any other company other than listed companies, collective investment schemes, body corporates, shareblock companies, certain associations of persons, friendly societies, less than 5% interests in cooperatives, venture capital company, shares in private companies that are inactive and have assets of less than R5 000 or have taken steps to liquidate, wind-up or deregister;
- not more than 20% of the sum of gross income and capital gains consists of investment income and income from the provision of personal services;
- if engaged in the provision of personal services, maintains at least three full-time employees (none of whom may be a shareholder or a connected person in relation to the shareholder) for core operations.

TRUSTS

Various anti-avoidance provisions exist to combat the use of trusts for income splitting and tax avoidance schemes. These provisions work mainly on a basis whereby any income earned by the trust as a result of a donation, settlement, or other disposition made by a person ('the donor'), which is not distributed, is deemed to be the income of that donor and taxed in their hands. If income is distributed to beneficiaries who are minor children of the donor, the income is also taxed in the hands of the donor. Similar provisions exist in respect of capital gains made by or accrued to a trust.

Trusts are very important in estate planning and if properly planned, managed and controlled can act as a significant shelter against future estate duties. With the introduction of Capital Gains Tax, the effectiveness of the use of trusts in estate planning has been slightly negated, but with careful planning the impact of CGT can be reduced and even completely avoided.

Trusts are divided into two categories for tax purposes:

- Special Trusts
- All other Trusts

A special trust means a trust created solely for the benefit of someone who suffers from a disability that prevents such person from earning sufficient income for their maintenance or from managing their own financial affairs. A special trust can also be created by way of a testamentary trust whereby relatives of the testator who are alive on the date of death are the beneficiaries. In order to qualify as a special trust, the youngest of the beneficiaries must, on the last day of the year of assessment of that trust, be under the age of 18 years.

The tax rates applicable to Special Trusts are the same as those applicable to natural persons, except that the primary rebate and interest exemptions do not apply.

All other trusts are subject to an income tax rate of 40% and a capital gains inclusion rate of 66.6%

PERSONAL SERVICE PROVIDERS (PSP)

A company or trust will qualify as a PSP if –

- A service is provided by a company or trust;
- The services are rendered personally by any person who is a connected person;
- The entity does not employ more than three full-time employees throughout the year of assessment, that are not connected persons;
- There is an affirmative response to at least one of the following:
  - (i) The person who is rendering the service would have been regarded as an "employee" of the client if the service was rendered directly to the client;
  - (ii) Where the service is rendered mainly at the premises of the client, the service is subject to the control or supervision of the client as to the manner in which it is performed;
  - (iii) More than 80% of the income of the entity stems from one client as defined.

A PSP is subject to employees' tax at the rate of 28% if it is a company and 40% if it is a trust. Expenses to be deducted by a PSP are also limited.

TURNOVER TAX FOR MICRO BUSINESSES

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

TAXABLE TURNOVER	RATES OF TAX
R0 – R150 000	0%
R150 001 – R300 000	1% of the amount 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 and above	R15 500 + 6% of the amount above R750 000

Turnover tax for micro businesses is a simplified turnover based tax system substituting income tax, CGT and in certain circumstances VAT. The tax is an elective tax applicable to sole proprietors, partnerships, close corporations, companies and co-operatives with a turnover of less than R1 million per year. A micro business may only voluntarily exit the turnover tax system if it has been registered as a micro business for at least three years. Personal services rendered under employment-like conditions and professional services are excluded.

PUBLIC BENEFIT ORGANISATIONS (PBO)

In order to qualify as a PBO an entity needs to have as its main object the carrying out of one or more public benefit activities in a non-profit manner substantially in South Africa. These activities need to qualify in one or more of the following categories:

- welfare and humanitarian
- health care
- land and housing
- education and development
- religion, belief or philosophy
- cultural
- conservation, environment and animal welfare
- research and consumer rights
- sport
- providing funds, assets or other resources.

Donations to approved public benefit organisations are exempt from donations tax and deductable for income tax as follows if section 18A status has been approved:

- Company donations limited to 10% of taxable income;

- Individual donations limited to 10% of taxable income excluding any retirement fund lump sum benefits;
- Any excess above the 10% cap above may be rolled over to subsequent years while land donated to the government for conservation may be spread over 10 years.

DIVIDENDS TAX

Dividends tax

Dividends tax is a tax levied on the shareholder at a rate of 15% on dividends paid. However, where a dividend in specie is paid, dividends tax is a tax levied on the company declaring the dividend.

Dividends tax is normally withheld by the company paying the dividend and is payable at the end of the month following the month in which the dividend was paid.

Dividends tax exemptions

A dividend is exempt from dividends tax if the beneficial owner is:

- A SA company;
- The Government and various quasi government institutions;
- Public Benefit Organisations;
- Environmental rehabilitation trusts;
- Pension, provident and similar funds;
- Medical Schemes;
- A shareholder in a registered micro business (only the first R200 000 of dividends paid during a particular year of assessment).

Secondary Tax on Companies ('STC') credits

If a company has STC credits at the effective date of the Dividends Tax regime these STC credits must be used before or on 31 March 2015 (i.e. within 3 years from the effective date).

The First schedule of the Income Tax Act regulates farming taxes. The most important sections are:

Valuation of livestock and produce

Only livestock and produce need to be brought into account, not fertiliser etc. Produce are valued at the lowest of average cost of production or market value. Livestock can be valued at standard values or the farmer may elect own values which may not differ more than 20% of standard values (once a value has chosen, it must be used consistently).

Purchases of livestock cannot create a loss because of using standard values. This gross loss must be carried forward to the next year. The current standard values are as follows:

Cattle:	Bulls R50, Oxen R40, Cows R40
	Tollies and Heifers: 1 – 2 years old R14, 2 – 3 years old R30
	Calves R4
Sheep:	Wethers, Rams and Ewes R6, weaned lambs R2
Goats:	Weaned Kids R2, Fully grown R4
Pigs:	Under 6 months (weaned) R6, over 6 months R12
Poultry:	over 9 months R1
Horses:	Stallions over 4 years R40, Mares over 4 years and Geldings over 3 years R30, Colts and fillies 3 years R10, Colts and fillies 2 years R8, Colts and fillies 1 year R6, Foals under 1 year R2
Donkeys:	Jacks and Jennies over 3 years R4, Jacks and Jennies under 3 years R2
Mules:	4 years and over R30, 3 years R20, 2 years R14, 1 year R6
Ostriches:	Fully grown R6
Chinchillas:	All ages R1

Capital development expenditure

Expenditure not restricted to taxable income from farming:

- Eradication of noxious plants and alien invasive plants as well as the prevention of soil erosion.

Expenditure restricted to taxable income from farming:

- Dipping tanks
- Dams, irrigation schemes, boreholes and pumping plants
- Fences
- Additions, erection of, extensions and improvements to farm buildings
- Costs of establishing the area for and the planting of trees, shrubs and perennial plants
- Building of roads and bridges for farming operations
- Carrying of electric power from main power lines to farm machinery and equipment

Special depreciation allowance:

Machinery, implements, utensils and articles for farming purposes are written off over three years on a 50:30:20 basis.

Rating formula

Because a farmer's income fluctuates from year to year, an individual farmer may elect to be taxed in accordance with a rating formula. The farmer is taxed on the average taxable income in the current and preceding four years (losses are taken into account). After election he is bound to the same rating in future and he is not entitled to make use of provisions relating to government livestock reduction schemes, rating formula for plantation farmers and provisions relating to sugar cane farmers. Special arrangements are applicable in the event of the first year of farming, where taxable income comprises 2/3rds of actual farming income.

Other

Special provisions exist for forced sales in the event of drought, disease, plague or fire, special drought relief schemes, plantation farming and sugar cane farming.

CAPITAL GAINS TAX

CGT is payable on the **disposal** of **assets** that take place on or after valuation date, i.e. 1 October 2001; in the case of South African residents, the tax will apply to disposals of all assets (including overseas assets); in the case of **non-residents**, the following assets will be subject to CGT:

- immovable property, or any right or interest in a property (this includes a direct or indirect interest of at least 20% held alone or together with any connected person in the equity share capital of a company, where at least 80% of the value of the net assets of the company is, at the time of the disposal, attributable to immovable property in SA); and
- any asset of a permanent establishment through which a trade is carried on in SA;

The purchaser must withhold CGT on the purchase price where assets are purchased from a non-resident (except where the amount payable by the purchaser is less than R2 million).

A capital gain or loss is calculated separately in respect of each asset disposed. Once determined, gains or losses are combined for that year of assessment and if it is:

- an assessed capital loss, it is carried forward to the following year; or
- a net capital gain, it is multiplied by the inclusion rate (individuals 33.33%, companies and trusts 66.67%).

This taxable capital gain is included in taxable income and taxed at the normal income tax rates applicable.

The following exemptions for individuals are applicable:

- Annual exclusion: R30 000;
- The exclusion amount on death: R300 000;
- The primary residence exclusion: R2 million;
- The exclusion amount on the disposal of a small business when a person is over age 55: R1.8 million;
- The maximum market value of assets allowed for a small business disposal for business owners over 55 years: R10 million.

The VAT system comprises three types of supply:

- Standard-rated supplies – supplies of goods and services subject to the VAT rate in force at the time of supply (currently 14%);
- Exempt supplies – supplies of certain services not subject to VAT. Vendors making exempt supplies are not entitled to input VAT credits;
- Zero-rated supplies – supplies of certain goods or services subject to VAT at zero percent. Vendors making zero rated supplies are entitled to input VAT credits.

Key features

- Enterprises with a turnover of less than R1 000 000 in any period of 12 months are not obliged to register for VAT;
- Enterprises with a turnover of less than R50 000 in any period of 12 months are not permitted to register for VAT;
- VAT returns are generally submitted on a 2 monthly basis unless turnover in any period of 12 months exceeds R30 million, in which case returns are submitted monthly;
- Farmers may submit VAT returns on a 6 monthly basis as long as their turnover does not exceed R1.5 million and property letting companies may, subject to certain requirements, submit annual VAT returns;
- Businesses with turnover of less than R1,5 million may apply to submit returns every 4 months;
- Vendors may reclaim the VAT element on expenditure incurred for the purpose of making taxable VAT supplies except on:
  - entertainment, excluding qualifying subsistence;
  - passenger vehicles (including hiring); and
  - club subscriptions.
- Input tax credits may not be claimed on expenditure relating to exempt supplies;
- Input tax credits may only be claimed upon receipt of a valid tax invoice;
- In order to be a valid tax invoice the name, address and VAT registration number of the recipient and supplier must appear on tax invoices where the VAT inclusive total exceeds R5 000.

CAPITAL INCENTIVE ALLOWANCES

ASSET TYPE	CONDITIONS FOR ANNUAL ALLOWANCES	ANNUAL ALLOWANCES
Industrial Buildings	Cost of erection of buildings or improvements, provided building is used wholly or mainly for carrying on a process of manufacture or similar process	Either 2%,5%, or 10% depending on date cost incurred
Commercial & Residential Buildings in Designated Urban Areas	Refurbishment of existing building (excluding low-cost residential units)	20%
	Construction of new building and extension to existing buildings (excluding low-cost residential units)	20% in 1st year 8% in each of 10 subsequent years
	Low-cost residential units: New buildings or extension/additions to existing buildings where taxpayer incur the cost	Year 1: 25% of the cost Year 2 – 6: 13% of the cost Year 7: 10% of the cost
	Low-cost residential units: Improvements to existing buildings where the existing structure is preserved and where taxpayer incur the cost	Year 1: 25% of the cost Year 2 – 4: 25% of the cost
	Low-cost residential units: New buildings or extension/additions to existing buildings where taxpayer purchased building from Developer.	Year 1: 55% × 25% of the cost Year 2 – 6: 55% × 13% of the cost Year 7: 55% × 10% of the cost
	Low-cost residential units: Improvements to existing buildings where the existing structure is preserved and where taxpayer purchased building from Developer.	Year 1: 30% × 25% of the cost Year 2 – 4: 30% × 25% of the cost
Hotel Buildings	Cost of portion of erection or improvements:	5%
	Improvements that do not extent the exterior framework of the building.	20%

Commercial Buildings	Cost of erecting any new and unused building as well as new and unused improvements wholly or mainly used for the purpose of producing income in the course of trade.	5%
	Taxpayer acquires part of a building that is new and unused wholly or mainly to be used for producing income in the course of trade.	55% × 5% of the cost
	Taxpayer acquires part of a building that has new and unused improvements to be wholly or mainly used for producing income.	30% × 5% of the improvement.
Aircraft	Must be used for purposes of trade	20%
Ships	Must be used for purposes of trade	20%
Plant & Machinery	New or unused manufacturing assets	40% in 1st year 20% in each of the 3 subsequent years
Plant & machinery	New and unused plant or machinery used by the taxpayer directly in a process of manufacture by a Small Business Corporation.	100% of cost
Residential Units	New & unused units, erected or improved, situated in South Africa, owned & used by the taxpayer for the purposes of a trade he carries on. At least five units must be owned	Normal Unit 5% Low Cost unit 10%* *a building not exceeding cost of R300 000 or an apartment not exceeding a cost of R350 000
	New & unused units acquired, situated in South Africa, used by the taxpayer for the purpose of a trade he carries on. At least five units must be owned.	Normal unit 55% × 5% Low cost unit 55% × 10%
	Unit acquired with a new and unused improvement, situated in South Africa, used by the taxpayer for the purpose of a trade he carries on. At least five units must be owned.	Normal unit 30% × 5% Low cost unit 30% × 10%

LEARNERSHIP ALLOWANCES

An annual and completion allowance of R30 000 may be claimed by the taxpayer. The deduction claimable for disabled learners are R50 000 for both annual and completion allowances.

Where a learnership is terminated before a period of 12 full months the employer will be entitled to a pro rata portion of the annual allowance, regardless of the reason for the termination of the learnership. The completion allowance for a learnership of 24 months or more will be based on the number of consecutive 12 month periods completed × R30 000 (R50 000 for disabled learners).

RESIDENCE BASED TAX

Residents are taxed on their worldwide income, subject to certain exclusions.

Definition of Resident

Natural Person

- any natural person who is ordinarily resident in South Africa; or
- any natural person who is not ordinarily resident in South Africa but who:
  - is physically present in South Africa for a period exceeding 91 days in aggregate during the current year of assessment and for a period exceeding 91 days in aggregate during each of the prior 5 years of assessment; and was physically present in South Africa for a period exceeding 915 days in aggregate during the previous 5 years of assessments.
  - Where a person has been outside of South Africa for a continuous period of at least 330 full days after he ceases to be physically present in South Africa, he will be deemed to not have been resident from then.
  - South African resident employees who render services for any employer outside South Africa for a period which in aggregate exceeds 183 full days commencing on or ending during a period of assessment, and for a continuous period exceeding 60 full days during such 183 day period, will not be liable for income tax on their remuneration for that period.

Companies and Trusts

A company and Trust will be considered to be resident for tax purposes if it is incorporated, established, formed or has its place of effective management in South Africa.

Controlled Foreign Companies (CFC)

A Controlled Foreign Company (CFC) means any foreign company where more than 50% of the total participation rights in that foreign company are held or more than 50% of the voting rights in that foreign company are directly or indirectly exercisable by one or more residents. South African residents must impute all income of a CFC in the same ratio as the participation rights of the resident in such a CFC, subject to a number of exclusions. Net income of the CFC is defined as the CFC's taxable income determined as if the CFC is a South African taxpayer.

Foreign Dividends (including deemed dividends)

Foreign Dividends received from a non-resident company are taxable.

Foreign dividends are however exempt as follows:

1. If received by a resident who holds at least 10% of the equity shares in the foreign company;
2. The shareholder is a company which is in the same country as the foreign company paying the dividend;
3. If declared by a company listed on the SA stock exchange and does not consist of a distribution of an asset *in specie*;
4. If paid out of the profits of a foreign company if the profits of the foreign company have been included in the South African shareholders income in terms of the CFC provisions.

Where a foreign dividend is not exempted in terms of the provisions above the following part of a foreign dividend will be exempted from tax:

1. Individuals and trusts: 25/40 or 63% of the foreign dividend received;
2. Companies: 13/28 or 46% of the foreign dividend received.

No deduction will be granted for any expenditure incurred in the production of income in the form of foreign dividends.

Foreign Tax Credits

Residents are allowed to deduct all foreign taxes paid in respect of foreign source income from the tax payable in South Africa on such foreign income. Any excess credits may be carried forward. There is also a foreign tax credit available for South African companies that are taxed in foreign countries on management fees earned in South Africa (i.e. South African source income).

EXCHANGE CONTROL: NON-RESIDENTS

Non-residents may invest in the Republic, provided that suitable documentary evidence is received in order to ensure that such transactions are concluded at arms length, at fair market-related prices, and are financed in an approved manner subject to exchange control approval.

Capital Transactions

Proceeds from the sale of assets in South Africa, owned by non-residents (excluding emigrants), may be remitted abroad.

Dividends

Dividends declared by quoted companies out of income earned are remittable to non-resident shareholders. An emigrant shareholder will be entitled to dividends declared out of income earned after the date of emigration. Dividends declared by non-quoted companies are remittable in proportion to percentage shareholdings, subject to certain restrictions. Dividends in favour of emigrant shareholders may be remitted subject to additional requirements.

Fees

Authorised dealers may transfer directors fees to nonresident directors permanently domiciled outside South Africa, provided the application is accompanied by a copy of the resolution of the board of the remitting company, confirming the amount to be paid to the beneficiary.

Foreign Capital Investments

Resident individuals who are over 18 and tax payers in good standing are permitted to invest abroad. The current limit is R4 000 000 per person per year.

Emigration limits

Foreign Capital Allowance
Single Person – R4 000 000
Family Unit – R8 000 000

Note that these capital allowances are reduced by the Foreign Capital Investments

Household & Personal Effects, Motor Vehicles, Stamps, Coins & Kruger Rands
R2 million could be transferred.

Single discretionary allowance

Residents (natural persons), who are over the age of 18 years may be permitted to avail of a single allowance within an overall limit of R1 000 000 per individual per calendar year, without the requirement to obtain a Tax Clearance Certificate, to cover the following discretionary allowances:

- monetary gifts and loans
- donations to missionaries
- maintenance transfers
- travel allowance (children under the age of eighteen will be entitled to an annual allowance of R200 000)
- study allowance

This discretionary allowance is in addition to the existing R4 000 000 individual foreign capital allowance.

Study allowances

The direct costs of study (ie tuition and academic fees) may be transferred directly to the institution. Should a spouse accompany a student, a discretionary allowance may be accorded the spouse.

ESTATE DUTY

The general rule is that if the taxpayer is ordinarily resident in the Republic at the time of death, all of his assets (including deemed property), wherever they are situated, will be included in the gross value of his estate for the determination of duty payable thereon. Estate duty is currently levied at 20% on the dutiable estate.

Deemed property includes: Insurance Policies on the life of the deceased, claims in terms of the matrimonial property act as well as property that the deceased was competent to dispose of immediately prior to his death.

The most important deductions are:

- Debts due at date of death
- Bequests to various charities
- Bequests to a surviving spouse

The Act allows for the R3.5m deduction from estate duty to rollover from the deceased to a surviving spouse so that the surviving spouse can use a R7m deduction amount on death. The portability of the deduction will apply to the extent that the first dying spouse did not use the whole abatement.

There is relief from Estate Duty in the case of the same property being included in the estates of taxpayers dying within 10 years of each other. The deduction is calculated on a sliding scale varying from 100% where the taxpayers die within 2 years of each other and 20% where the deaths are within 8 to 10 years of each other.

Executors Remuneration

An executor is entitled to the following remuneration:

- The remuneration fixed by deceased in the will, or
- 3.5% of gross assets
- 6% on income accrued and collected from date of death

Executors remuneration is subject to VAT where the executor is registered as a vendor.

DONATIONS TAX

Donations Tax is payable by any individual living in the Republic of South Africa, any South African company and any foreign company that is managed or controlled in the Republic. Donations tax is payable on the value of any gratuitous disposal of property (including the disposal of property for inadequate consideration) and the renunciation of rights.

Principal exemptions:

1. Donations between spouses.
2. Donations to charitable, ecclesiastical and educational institutions, and certain public bodies in the Republic of South Africa (limited to certain thresholds).
3. Donations by natural persons not exceeding R100 000 per year.
4. The donation of assets situated outside the Republic, subject to certain conditions
5. Donations by companies not considered to be public companies up to R10 000 per annum
6. Donations where the donee will not benefit until the death of the donor
7. Donations made by companies which are recognised as public companies for tax purposes
8. Donations cancelled within six months of the effective date
9. Property disposed of under and in pursuance of any trust
10. Donations between companies forming part of the same group of companies
11. Reasonable bona fide contributions to maintenance of individual

Rates:

Donations tax is payable within 3 months after the donation at a flat rate of 20%

RING-FENCING OF ASSESSED LOSSES (section 20A)

Assessed losses incurred by natural persons from secondary trades are ring-fenced, and are not available for set-off against other income.

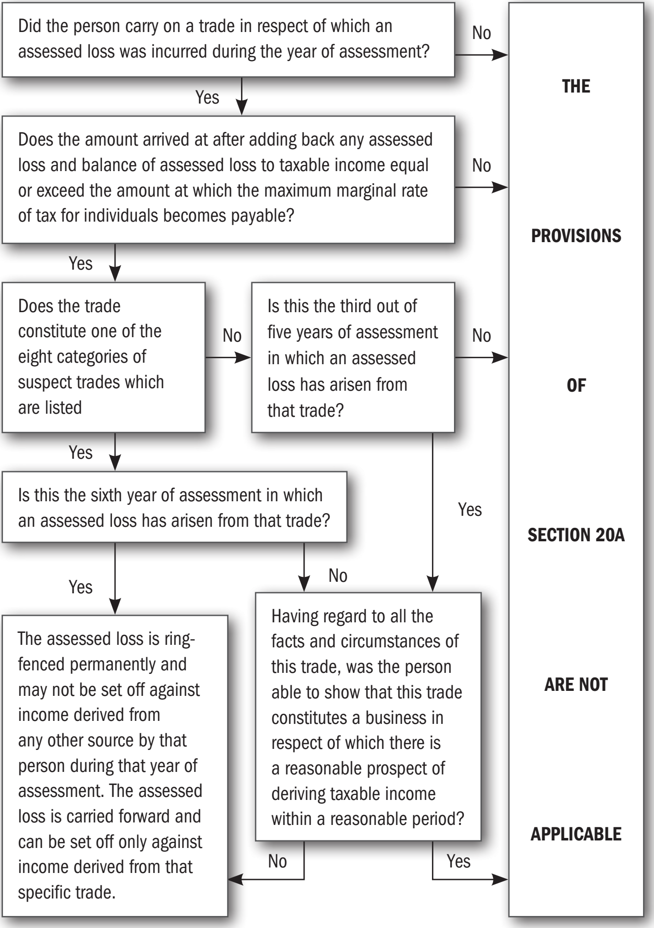
These restrictions apply to an individual whose taxable income is at the maximum marginal rate of tax, before setting off any assessed loss or balance of assessed loss.

For the restrictions to apply the person must have incurred an assessed loss from the secondary trade in at least three years of assessment during any five year period, or have carried on any of the following trades –

- (i) any sport practised by that person or any relative;
- (ii) any dealing in collectibles by that person or any relative;
- (iii) the rental of residential accommodation, unless at least 80 per cent of the residential accommodation is used by persons who are not relatives of that person for at least half of the year of assessment;
- (iv) the rental of vehicles, aircraft or boats as defined in the Eighth Schedule, unless at least 80 per cent of the vehicles, aircraft or boats are used by persons who are not relatives of that person for at least half of the year of assessment;
- (v) animal showing by that person or any relative;
- (vi) farming or animal breeding, unless that person carries on farming, animal breeding or activities of a similar nature on a full-time basis;
- (vii) any form of performing or creative arts practised by that person or any relative; or
- (viii) any form of gambling or betting practised by that person or any relative.

These provisions do not apply in respect of an assessed loss incurred by a person during any year of assessment from carrying on any trade as contemplated above, where that trade constitutes a business in respect of which there is a reasonable prospect of deriving taxable income (other than taxable capital gain) within a reasonable period and complies with certain other criteria. Where these losses have been incurred for at least six years out of the preceding ten years then such concession will not apply.

Checklist (flowchart) for the application of the ring-fencing provisions



Restraint of trade

Restraint of trade payments are taxable in the hands of individuals, labour brokers and personal service providers. Such payments are deductible by the payer over 3 years if the period of the restraint is less than 3 years, or over the period of the restraint if longer.

Leasehold improvements

Improvements made to leasehold property in terms of a lease agreement by the lessee must be included in the income of the lessor. Either the stipulated amount or a fair and reasonable value will be included.

The lessee may deduct such expenditure over the period of the lease. The lessor may be entitled to discount the value of the improvements over the period of the lease or 25 years whichever is the shorter.

A depreciation allowance is also available in respect of costs voluntarily incurred by a tenant to undertake construction or improvements on leased premises.

The allowance is based on the deemed useful life of the asset opposed to the duration of the lease.

No income inclusions will be required for the lessor in respect of the construction or improvements.

This allowance is applicable in respect of improvements completed on or after 4 July 2013.

Pre-trade expenditure

Expenditure which would normally be deductible from income, actually incurred prior to the commencement and in connection with a specific trade can be deducted from the income of that trade. The deduction is limited to income from that trade and any shortfall can be carried forward to the subsequent years of assessment.

Research and Development

Research and development performed for the purposes of discovering novel, practical and non-obvious information of a scientific or technological nature or,creating any invention, patent, functional design or computer copyright or similar property of a scientific or technological nature, qualifies for incentive allowances whereby 150% of the operating expenses are deductible if certain requirements are met and if the Department of Science and Technology has approved the deduction.

SUNDRY TAXES

Securities Transfer Tax

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities. Securities consist of shares in companies or member's interests in close corporations.

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 the levy.

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 R14 872 per month.

Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Advance tax rulings

Compliant taxpayers may apply for advance tax rulings from SARS where a tax payer wishes to obtain clarity on the interpretation and application of the relevant tax act. Most rulings provided by SARS will be binding provided full disclosure has been made. SARS however also has the power to issue non-binding private opinions which result in informal guidance by SARS.

EMPLOYMENT TAX INCENTIVE

The employment tax incentive was instituted in order to encourage employment creation for the youth (i.e. employees between the ages of 18 and 29 years).

If an employer is eligible to receive the employment tax incentive in respect of a qualifying employee in respect of a month, that employer may reduce the employees' tax payable by that employer with the amount of the incentive.

The main requirements to qualify for this incentive are as follows:

1. The taxpayer must be is registered for the purposes of the withholding and payment of employees'tax;
2. The wage paid to an employee may not be less than the amount payable by virtue of a wage regulating measure applicable to that employer (i.e. a minimum wage) or if the amount of the wage payable to an employee is not subject to any wage regulating measure, the amount of R2 000 per month;
3. An employee is a qualifying employee if the employee –
   - is not less than 18 years old and not more than 29 years old at the end of any month in respect of which the employment tax incentive is claimed;
   - is employed by an employer operating through a fixed place of business located within a special economic zone designated by notice by the Minister of Finance and that employee renders services to that employer mainly within that special economic zone or is employed by an employer in an industry designated by the Minister of Finance;
   - is in possession of an identity card or is in possession of an asylum seeker permit;
   - in relation to the employer, is not a connected person;
   - is not a domestic worker;
   - was employed by the employer on or after 1 October 2013;
   - does not earn more than R6 000 per month.

The amount of the employment tax incentive in respect of a qualifying employee is determined as follows:

- During each month of the first 12 months, 50 per cent of the monthly remuneration of the employee if the employees remuneration is R2 000 or less, R1 000 if the employees remuneration is more than R2 000 but less than R4 001 and according to a formula if the employees remuneration is more than R4 000 but less than R6 001;

- During each of the 12 months after the first 12 months that the same employer employs the qualifying employee, 25 per cent of the monthly remuneration of the employee if the employees remuneration is R2 000 or less, R500 if the employees remuneration is more than R2 000 but less than R4 001 and according to a formula if the employees remuneration is more than R4 000 but less than R6 001.

TRANSFER DUTY ON IMMOVABLE PROPERTY

Transfer duty:

- Is calculated on the value of immovable property (purchase price or market value whichever is the highest)
- Is payable within six months after the transaction is entered into;
- Will be exempted when the seller is a registered VAT vendor;
- Where a registered VAT vendor purchases property from a non-vendor, the notional input tax is calculated by multiplying the tax fraction (presently 14/114) by the lesser of the consideration paid or market value.
- Certain exemptions apply to unbundling of corporate structures;
- The acquisition of a contingent right in a trust that holds a residential property or the shares in a company or the member's interest in a close corporation, which owns residential property, comprising more than 50% of its assets, is subject to transfer duty at the applicable rate. The liabilities of the entity must be disregarded when calculating the fair value of the contingent right in the trust, the shares in the company or the member's interest in the close corporation;

Transfer duty is calculated as follows:	
R0 – R600 000	0%
R600 001 – R1 000 000	3% of the value above R600 000
R1 000 001 – R1 500 000	R12 000 plus 5% of the value over R1 000 000
R1 500 001 and above	R37 000 plus 8% of the value over R1 500 000

Income tax returns

	Individual	Company	Trust
Submitting tax returns manually:	September	N/a	September
Non-provisional taxpayers filing via e-Filing	November	N/a	November
Provisional taxpayers filing via e-Filing	January	12 Months after year end	January

Provisional tax

	Individual	Company	Trust
First provisional tax	31 August	6 months after year end	31 August
Second provisional tax	28 February	12 months after year end	28 February
Third provisional tax	30 September	6 months after year end if year-end is not February. 7 months after year end if year-end is February.	30 September

Value-Added Tax

	Individual	Company	Trust
Submitting VAT returns manually:	On or before the 25th of the month following the VAT period.	On or before the 25th of the month following the VAT period.	On or before the 25th of the month following the VAT period.
Submitting VAT returns via e-Filing:	On or before the end of the month following the VAT period.	On or before the end of the month following the VAT period.	On or before the end of the month following the VAT period.

Payroll tax returns

	Individual	Company	Trust
Annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax certificates [IRP5/ IT3(a)]	31 May	31 May	31 May
Interim/Bi-annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax certificates [IRP5/IT3(a)]	31 October	31 October	31 October
Monthly declaration (EMP201)	On or before the 7th of the month following the payroll month	On or before the 7th of the month following the payroll month	On or before the 7th of the month following the payroll month

IRP 5 CODES

Normal Income Codes

3601 Income (taxable) i.e. salaries and wages (taxable), overtime (taxable)
3602 Income (non-taxable) i.e. pension payments (non-taxable), arbitration award (non-taxable)
3603 Pension payments (taxable)
3605 Annual payments (taxable) i.e. annual bonus, incentive bonus etc.
3606 Commission
3608 Arbitration Award (taxable)
3610 RAF annuity (taxable)
3611 Interest received on an annuity purchased from an Annuity Fund (taxable)
3613 Restraint of Trade (taxable)
3614 Other Retirement Lump Sums (taxable)
3615 Director's Remuneration (taxable)
3616 Independent Contractors (taxable)
3617 Labour Brokers (PAYE/IT)

Allowance Codes

3701 Travel Allowance (taxable)
3702 Reimbursive Travel Allowance (taxable)
3703 Reimbursive Travel Allowance (non-taxable)
3704 Subsistence Allowance – Local Travel (taxable)
3707 Share Options Exercised (taxable)
3708 Public Office Allowance (taxable)
3713 Other Allowances (taxable) i.e., Entertainment Allowance (taxable), Tool Allowance (taxable), Computer Allowance (taxable), Telephone/Cell Phone Allowance (taxable)
3714 Other Allowances (non-taxable) i.e., Subsistence Allowance – Local Travel (non-taxable) Uniform Allowance (non-taxable), Subsistence Allowance- Foreign Travel (non-taxable), Relocation allowance (non-taxable)
3715 Subsistence Allowance- Foreign Travel (taxable)
3717 Broad-based Employee Share Plan (taxable)
3718 Vesting of equity instruments (taxable)

Fringe Benefit Codes

3801 General Fringe Benefit (taxable) i.e., Right of Use of Asset other than motor vehicle (taxable), acquisition of asset at less than actual value (taxable), Meals, refreshments and meal and refreshment Vouchers (taxable), Low interest or interest free loans or loan subsidies (taxable)
3802 Right of Use of Motor Vehicle (taxable)
3805 Accommodation (taxable) i.e. free or cheap residential or holiday accommodation (taxable)
3806 Services (taxable) i.e. free or cheap services
3808 Employee's debt (taxable)
3809 Bursaries or scholarships (taxable)
3810 Medical Aid contributions (taxable)
3813 Medical services cost (taxable)
3815 Bursaries and scholarships (non-taxable)
3816 Use of motor vehicle acquired by employers via "Operating Lease" (taxable)

Important: To report foreign income, add a value of 50 to all normal, allowance, fringe benefit and lump sum codes e.g. 3606 will be 3656

Lump Sum Codes

3901 Gratuities (taxable)
3906 Special Remuneration (taxable) i.e. proto-teams
3907 Other Lump Sums (taxable) i.e. Backdated salaries extended over previous tax year, Lump sum payments by unapproved funds, Gratuity paid to an employee due to normal termination of service, Employer owned insurance policy (risk policy) proceeds NOT exempt ito the exclusion in section 10(1)(gG)(i) of the Income Tax Act)
3908 Surplus Apportionments and Employer Owned Policy Proceeds (non-taxable)
3909 Unclaimed Benefits paid by Fund (taxable)
3915 Retirement/involuntary termination of employment lump sum benefits/Commutation of annuities (taxable)
3920 Lump sum withdrawal benefits (taxable)
3921 Living annuity and section 15C of the Pension Funds Act, surplus apportionments (taxable)
3922 Compensation i.r.o death during employment (Excl/PAYE)

Gross Remuneration Codes

3696 Gross Non-Taxable Income
3697 Gross Retirement Funding Employment Income
3698 Gross Non-Retirement Funding Employment Income

Employee's Tax Deduction and Reason Codes

4101 SITE
4102 PAYE
4115 Tax on Retirement Lump Sum and Severance benefits
4116 Medical Scheme Fees Tax Credit taken into account by the employer for PAYE purposes
4141 UIF contribution
4142 SDL contribution
4149 Total Tax, SDL and UIF (excluding the value of 4116 medical Scheme Fees Tax Credit taken into account by the employer for PAYE purposes).
4150 02 – Earn Less than the Tax Threshold
03 – Independent Contractor
04 – Non Taxable Earnings (including nil directive)
05 – Exempt Foreign Employment Income
06 – Directors Remuneration – Income Determined in the following Tax Year
07 – Labour Broker with IRP30
08 – No Tax to be withheld due to Medical Scheme Fees Tax Credit allowed
09 – Par 11A(5) Fourth Schedule notification – No withholding possible

Deduction Codes

4001 Current Pension Fund Contributions
4002 Arrear Pension Fund Contributions
4003 Current Provident Fund Contributions, Arrear Provident Fund Contributions
4005 Medical Aid Contributions
4006 Current Retirement Annuity Fund Contributions
4007 Arrear (re-instated) Retirement Annuity Fund Contributions
4018 Premiums Paid for Loss of Income Policies
4024 Medical services costs deemed to be paid by the employee in respect of himself/herself, spouse or child.
4026 Arrear Pension Fund Contributions – Non Statutory Forces
4030 Donations deducted from the employee's remuneration and paid by the employer
4474 Employer's medical scheme contributions in respect of employees' not included in code 4493.
4493 Employer's Medical Aid Contributions i.r.o Retired Employees
4497 Total Deductions/Contributions

Administrative non-compliance penalties are penalties for the failure to keep proper records, failure to report reportable arrangements, non-compliance with a request for information, obstruction of SARS officials and failure to comply with tax obligations. The following non-compliance penalties could be charged:

- Fixed amount penalties (this penalty increases monthly, calculated from one month after the penalty assessment);
- Percentage base penalties;
- Understatement penalties.

Fixed amount penalties

Fixed rate penalties can be imposed by SARS for non –compliance with any procedural or administrative action or duty imposed or requested, for example:

- Not registering when required to;
- Not informing SARS where there is a change in registration details;
- Not filing returns;
- Not retaining records as required by SARS.

The fixed rate penalty does not apply where the percentage base penalty or understatement penalty applies.

Fixed rate penalties can be imposed as per the following table:

Assessed Loss or taxable income for preceding year	Monthly penalty
Assessed loss	R250
R0 – R250 000	R250
R250 001 – R500 000	R500
R500 001 – R1 000 000	R1 000
R1 000 001 – R5 000 000	R2 000
R5 000 001 – R10 000 000	R4 000
R10 000 001 – R50 000 000	R8 000
R50 000 000 +	R16 000

Percentage base penalties

The percentage based penalty is imposed where SARS is satisfied that the taxpayer has not paid the tax as and when required under a tax Act. This penalty is equal to a percentage of the tax not paid. The following percentage based penalties will be imposed:

Tax type	Penalty percentage
Income tax	10%
Provisional tax	■ 10% on the late or non-payment of provisional tax; ■ 20% if an estimate has not been filed; ■ 20% if provisional tax estimate has been understated.
Employers and employees tax	■ 10% if return has not been filed; ■ 10% if employee tax and/or UIF has not been paid; ■ 10% if fringe benefits have not been indicated on employee's tax certificates.
Value-Added Tax	10% on the late payment of VAT

Understatement penalties

The understatement penalty is a percentage in accordance with the table set out below and is applied to the shortfall of the tax. It applies to all taxes and could be charged when there is a default in rendering a return, an omission from a return, an incorrect statement in a return and, if no return is required, the failure to pay the correct amount of tax.

The following definitions relate to the understatement table below:

- **Substantial understatement** means a case where the prejudice to SARS or the fiscus exceeds the greater of five per cent of the amount of 'tax' properly chargeable or refundable under a tax Act for the relevant tax period, or R1 000 000;
- **Repeat case** means a second or further case of any of the behaviours listed under the table above within five years of the previous case;

- **Reasonable care not taken** means that a taxpayer is required to take the degree of care that a reasonable, ordinary person in the circumstances of the taxpayer would take to fulfill his or her tax obligations;
- **No reasonable grounds for the tax position** would occur when the taxpayer does not have a reasonably arguable position. A taxpayer's interpretation of the application of the law is reasonably arguable if, having regard to the relevant authorities, for example an income tax law, a court decision or a general ruling, it would be concluded that what is being argued by the taxpayer is at least as likely as not, correct.
- **Gross negligence** means doing or not doing something in a way that, in all the circumstances, suggests or implies complete or a high level of disregard for the consequences. Gross negligence involves recklessness but does not require an element of wrongful intent or "guilty mind", or intent to breach a tax obligation;
- **Intentional tax evasion** is a willful act that exists when a person's conduct is meant to disobey or wholly disregard a known legal obligation. Knowledge of illegality is crucial.

Behaviour	Standard case	Obstructive or repeat case	Voluntary disclosure after audit notification	Voluntary disclosure before audit notification
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position	50%	75%	25%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

RETENTION OF RECORDS

It is recommended that all documentation pertaining to potential Capital Gains tax transactions be retained indefinitely.

Accounting records

Books of prime entry:

Cash Books, Creditor's Ledgers, Debtor's Ledgers, Fixed Asset Registers, General Ledgers Journals, Petty Cash Books, Purchase Journals, Sales Journals, Subsidiary Journals and Ledgers – as well as supporting schedules to such Books of Account, etc –

- Original 15
- Microfiche 5

Vouchers, Working Papers, Bank Statements, Costing Records, Creditor's Invoices and Statements, Debtor's Invoices and Statements, Goods Received Notes, Journal Vouchers, Payrolls, Purchase Orders and Invoices, Railage Documents, Salary and Wages Registers, Sales Tax Records, Tax Returns and Assessments, etc 5

Employee records:

Expense Accounts, Payrolls, Employee Tax Returns, etc 5

Accident Records, Apprentice Records, Industrial Training Records, Staff Records, etc 3

Statutory & share registration records:

Annual Returns, Certificates of change of name, Incorporation, to commence business, Founding Statements Memorandum and Articles of Association, Minute Books, Notices of Meetings, etc . . . . Indefinitely

Branch Registers, Registers of: Directors Attendance, Debenture Holders, Directors and Officers, Directors' Interests, Members and pledges and Bonds, etc.

- Cancelled share transfer forms 12

WEAR AND TEAR ALLOWANCES

The following rates of wear and tear are allowed by SARS in terms of Interpretation Note 47:

Type of asset	No. of years for write-off	Type of asset	No. of years for write-off
Adding machines	6	Debarking equipment	4
Air-conditioners		Delivery vehicles	4
window	6	Demountable partitions	6
mobile	5	Dental and doctors' equipment	5
room unit	10	Dictaphones	3
Air-conditioning assets		Drilling equipment (water)	5
absorption type chillers	25	Drills	6
air handling units	20	Electric saws	6
centrifugal chillers	20	Electrostatic copiers	6
cooling towers	15	Engraving equipment	5
condensing sets	15	Escalators	20
Aircraft (light passenger or		Excavators	4
commercial helicopters)	4	Fax machines	3
Arc welding equipment	6	Fertiliser spreaders	6
Artefacts	25	Fire arms	6
Balers	6	Fire extinguishers (loose units)	5
Battery chargers	5	Fire detections systems	3
Bicycles	4	Fishing vessels	12
Boilers	4	Fitted carpets	6
Bulldozers	3	Food bins	4
Bumping flaking	4	Food-conveying systems	4
Carports	5	Fork-lift trucks	4
Cash registers	5	Front-end loaders	4
Cell phone antennae	6	Furniture and fittings	6
Cell phone masts	10	Gantry cranes	6
Cellular telephones	2	Garden irrigation equipment	
Cheque-writing machines	6	(movable)	5
Cinema equipment	5	Gas cutting equipment	6
Cold drink dispensers	6	Gas heaters and cookers	6
Communication systems	5	Gear boxes	4
Compressors	4	Gear shapers	6
Computers		Generators (portable)	5
mainframe	5	Generators (standby)	15
personal	3	Graders	4
Computer software (mainframes)		Grinding machines	6
purchased	3	Guillotines	6
self-developed	1	Gymnasium equipment	
Computer software		Cardiovascular	2
(personal computers)	2	Health testing	5
Concrete mixers portable	4	Weights and strength	4
Concrete transit mixers	3	Spinning	1
Containers	10	Other	10
Crop sprayers	6	Hairdressers' equipment	5
Curtains	5	Harvesters	6

Type of asset	No. of years for write-off	Type of asset	No. of years for write-off
Heat dryers	6	Radio communication	5
Heating equipment	6	Refrigerated milk tankers	4
Hot water systems	5	Refrigeration equipment	6
Incubators	6	Refrigerators	6
Ironing and pressing equipment	6	Runway lights	5
Kitchen equipment	6	Sanders	6
Knitting machines	6	Scales	5
Laboratory research equipment	5	Security systems removable	5
Lathes	6	Seed separators	6
Laundromat equipment	5	Sewing machines	6
Law reports	5	Shakers	4
Lift installations	12	Shop fittings	6
Medical theatre equipment	6	Solar energy units	5
Milling machines	6	Special patterns and tooling	2
Mobile caravans	5	Spin dryers	6
Mobile cranes	4	Spot welding equipment	6
Mobile refrigeration units	4	Staff training equipment	5
Motors	4	Surge bins	4
Motorcycles	4	Surveyors:	
Motorised chain saws	4	Field equipment	10
Motorised concrete mixers	3	Instruments	5
Motor mowers	5	Tape-recorders	5
Musical instruments	5	Telephone equipment	5
Navigation systems	10	Television and advertising films	4
Neon signs and advertising boards	10	Television sets, video machines	
Office equipment – electronic	3	and decoders	6
Office equipment – mechanical	5	Textbooks	3
Oxygen concentrators	3	Tractors	4
Ovens and heating devices	6	Trailers	5
Ovens for heating food	6	Traxcavators	4
Packaging equipment	4	Trollies	3
Paintings (valuable)	25	Trucks (heavy-duty)	3
Pallets	4	Trucks (other)	4
Passenger cars	5	Truck-mounted cranes	4
Patterns, tooling and dies	3	Typewriters	6
Pellet mills	4	Vending machines (including video	
Perforating equipment	6	game machines)	6
Photocopying equipment	5	Video cassettes	2
Photographic equipment	6	Warehouse racking	10
Planers	6	Washing machines	5
Pleasure craft, etc	12	Water distillation and	
Ploughs	6	purification plant	12
Portable safes	25	Water tankers	4
Power tools (hand-operated)	5	Water tanks	6
Power supply	5	Weighbridges (movable parts)	10
Public address systems	5	Wire line rods	1
Pumps	4	Workshop equipment	5
Racehorses	4	X-ray equipment	5
Radar systems	5		

The acquisition of "small" items at a cost of less than R7 000 per item may be written off in full during the year of acquisition

INTEREST RATES

EFFECTIVE DATE		RATE
Late or underpayments of Tax		
1 July	2009	12.50%
1 August	2009	11.50%
1 September	2009	10.50%
30 June	2010	9.50%
1 March	2011	8.50%
1 May	2014	9.00%
Fringe benefits – official rate of interest		
1 June	2009	9.50%
1 July	2009	8.50%
1 September	2009	8.00%
1 October	2010	7.00%
1 March	2011	6.50%
1 August	2012	6.00%
1 February	2014	6.50%
Overpayments of tax		
1 July	2009	8.50%
1 August	2009	7.50%
1 September	2009	6.50%
1 July	2010	5.50%
1 March	2011	4.50%
1 May	2014	5.00%
Prime Overdraft Rates		
25 March	2009	13.00%
4 May	2009	12.00%
29 May	2009	11.00%
14 August	2009	10.50%
26 March	2010	10.00%
10 September	2010	9.50%
19 November	2010	9.00%
20 July	2012	8.50%
30 January	2014	9.00%

IMPORTANT NOTE

The information contained in this booklet is a summary of current legislation and budget proposals proposed by the Minister of Finance on the 26th of February 2014. We suggest that you do not act solely on material contained in the booklet as the nature of the information contained herein is general and may in certain circumstances be subject to misinterpretation. In addition, the budget proposals may not include all legislative adjustments which could be made in the near future. Consequently we recommend that our advice be sought when encountering these potentially problematic areas. While every care has been taken in the compilation of the booklet, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.

Cape Town City Hall

Built in 1905.
On February 11, 1990, only hours after his release from prison, Nelson Mandela made his first public speech from the balcony of Cape Town City Hall.