TAX Guide

2018/2019

for Individuals

Income Tax for Individuals

South Africa has a hybrid tax system – i.e. residents are taxed on their world-wide income (residence-based system of taxation) and non-residents are taxed on the source of their income (source-based system of taxation).

The tax thresholds, tax rates and rebates applicable to individual taxpayers are set out below. Only partial relief (below inflation) is given for the bottom three personal income tax brackets and no relief for those above. Also included are certain exemptions and deductions that individual taxpayers may qualify for.

Tax Thresholds, Tax Rates & Tax Rebates

Income tax rates for natural persons and special trusts **Year of assessment ending 28 February 2019**	
Taxable income	**Taxable rates**
R0 to R195 850	18% of each R1
R195 851 to R305 850	R35 253 + 26% of the amount above R195 850
R305 851 to R423 300	R63 853 + 31% of the amount above R305 850
R423 301 to R555 600	R100 263 + 36% of the amount above R423 300
R555 601 to R708 310	R147 891 + 39% of the amount above R555 600
R708 311 to R1 500 000	R207 448 + 41% of the amount above R708 310
R1 500 001 and above	R532 041 + 45% of the amount above R1 500 000

	Tax rebate (cumulative)	Tax Thresholds (point at which tax becomes payable)	
		Taxable income	
	2019	2018	2019
Persons under 65	R14 067	R75 750	R78 150
Persons 65 and under 75	R21 780	R117 300	R121 000
Persons 75 and above	R24 354	R131 150	R135 300

Capital Gains Tax

Capital gains tax (CGT) is triggered on the disposal (much wider definition than merely selling) of an asset.

	2018	2019
Individuals: Inclusion rate in taxable income	40%	40%
Trusts and companies: Inclusion rate	80%	80%
Certain important exclusions from CGT	*R*	*R*
Annual exclusion	40 000	40 000
Exclusion in year of death	300 000	300 000
Primary residence exclusion	2 000 000	2 000 000

Other exclusions from CGT include personal-use assets (such as furniture, paintings etc. – i.e. assets used mainly for private purposes) and retirement lump sum benefits.

Medical Deductions

Persons younger than 65 years

The medical scheme fees tax credit for monthly medical contributions for the 2019 tax year is R310 (2018: R303) per person, R620 (2018: R606) for the taxpayer him/herself plus one dependant, and a monthly tax credit for all other dependants set at R209 (2018: R204) per dependant. The credit (known as the section 6A credit) is non-refundable and must be deducted from the taxpayer's normal tax liability at the tax year-end.

Taxpayers are also eligible for an additional medical expenses tax credit (section 6B credit) in respect of their excess medical scheme contributions and out-of-pocket medical expenses. This additional medical expenses tax credit is 25% of the aggregate of:

- medical scheme contributions in excess of four times the total allowable tax credits and
- out-of-pocket medical expenses,

that is in excess of 7,5% of the taxpayer's taxable income (excluding retirement fund lump sums and severance benefits).

Persons 65 years and older or a person or his/her spouse or child with a disability

The medical scheme fees tax credit is calculated the same as for taxpayers younger than 65 years. The additional medical expenses tax credit is, however, 33.3% of medical scheme contributions in excess of three times the total allowable tax credits, plus 33.3% of out-of-pocket medical expenses.

Certain Exemptions

Dividends – local dividends (i.e. dividends from SA entities) are normally exempt from income tax (note that there may be dividends tax implications).

Interest (basic interest exemption – section 10(1)(*i*) of the Income Tax Act) – applies to individuals who earn interest from a SA source:

Annual interest exemption for:	*2018 & 2019*
Persons under 65	R23 800
Persons 65 and above	R34 500

Tax-free investment products

Tax-free savings and investment accounts allow investments in bank deposits, collective investment schemes, exchange-traded funds and retail savings bonds. Any income (e.g. interest) and capital growth on these investments will not be subject to tax. The accounts have an annual contribution limit of R33 000 (since 2018), with a lifetime contribution limit of R500 000 (you can therefore contribute R2 750 per month for 15.15 years to a tax-free investment product). All the income and capital growth from these accounts are tax-free.

Allowances

Subsistence Allowance

Local

If an employee is required to spend at least one night away from his/her usual place of residence for business purposes and the allowance is granted to pay for:

- meals and incidental costs, R416 (2018: R397) per day is deemed to have been expended;
- incidental costs only, R128 (2018: R122) per day is deemed to have been expended.

Overseas

Actual accommodation cost plus an allowance per country for meals and incidental costs (available on SARS's website – refer *Legal Counsel/Secondary Legislation/Income Tax Notices/2018*) are allowed.

Travel Allowance

An employee who receives a monthly travel allowance to cover his expenses incurred in respect of his motor vehicle used, may claim the portion of the allowance that is expended for business purposes as a deduction from the allowance. The cost scale below is used to calculate the portion of the allowance that is tax-free. It is important to note that the deduction can only be claimed if a log book was kept for the business kilometres.

Scale of Values (2019 year of assessment)			
Where the value of the vehicle is (including VAT)	*Fixed cost (Rand)*	*Fuel cost (c/km)*	*Maintenance cost (c/km)*
R0 - R 85 000	28 352	95.7	34.4
R85 001 - R170 000	50 631	106.8	43.1
R170 001 – R255 000	72 983	116.0	47.5
R255 001 – R340 000	92 683	124.8	51.9
R340 001 – R425 000	112 443	133.5	60.9
R425 001 – R510 000	133 147	153.2	71.6
R510 001 – R595 000	153 850	158.4	88.9
Exceeding R595 000	153 850	158.4	88.9

If business travel does not exceed 12 000 km (2018: 12 000 km) per annum and is reimbursed by the employer at a rate of R3.61 (2018: R3.55) per kilometre (and no other allowances are paid to the employee) no employees' tax will be payable on the reimbursement.

Retirement Funds

Deductions

Current contributions to retirement funds

Employer contributions to retirement funds are a fringe benefit in the hands of employees for tax purposes. Therefore, employee and employer contributions to pension, provident and retirement annuity funds are tax deductible in the hands of the individual employee as follows and is limited to the lesser of:

- 27.5% of the higher of employment income (remuneration) or taxable income (both amounts excluding retirement fund lump sums and severance benefits); or
- R350 000; or
- taxable income (excluding retirement fund lump sums and severance benefits as well as any taxable capital gain).

Contributions exceeding the annual limit may be rolled forward to the subsequent year.

The implementation date of the rules that state that provident fund members will no longer be allowed to take the full retirement benefit as a lump sum has been postponed further until 1 March 2019.

Benefits

Retirement fund lump sum withdrawal benefits

If a lump sum is received on resignation from a fund or withdrawal from a fund (including assignment in terms of a divorce order), the first R25 000 of the taxable portion is tax-free and the remainder is taxed as follows:

Taxable income	Rate of tax
R0 – R25 000	0% of taxable income
R25 001 - R660 000	18% of taxable income above R25 000
R660 001 - R990 000	R114 300 + 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Retirement fund lump sum benefits

If a lump sum is received from a fund on retirement or death, the first R500 000 of the taxable portion is tax-free and the remainder is taxed as follows:

Taxable income	Rate of tax
R0 – R500 000	0% of taxable income
R500 001 – R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

Ring-Fenced Assessed Losses

Subject to certain exceptions, an individual taxpayer's loss arising from a certain trade is ring-fenced and will thus not be available for set-off against income from another trade (other than the first-mentioned trade) carried on by him/her. Ring-fencing applies to so-called "suspect" trades (e.g. farming) where the individual taxpayers have incurred assessed losses from these trades in at least 3 years of assessment during any 5-year period and the taxpayers are taxed at the maximum marginal tax rate (i.e. 45%).

Provisional Tax

Persons earning non-remuneration income (e.g. rental and business income) may be subject to provisional tax. Provisional tax payments are made in 2 compulsory instalments during the year of assessment, i.e. the first is made on/before 31 August of each year and the second is made by no later than 28/29 February of each year. A third top-up payment can be made voluntarily 7 months after year-end (i.e. 30 September), to avoid any interest raised on underpayment of taxes.

Trusts

The tax rate on trusts (other than special trusts that are taxed at rates applicable to individuals) increased to 45% (since 2018). Trusts will now have the highest effective tax rate of 36% (since 2018) when compared to entities like companies and close corporations with an effective rate of 22.4% and individuals' maximum effective rate of 18%. Interest-free loans to trusts are deemed to be donations.

Small Businesses

Tax rates

The monetary tax thresholds for micro businesses (qualifying businesses with a turnover not exceeding R1 million) remained the same (see below) and small business corporations (qualifying businesses with a turnover not exceeding R20 million) were increased, as follows:

MICRO BUSINESSES	
Taxable turnover	**Rate of tax**
R0 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of taxable turnover above R335 000
R500 001 – R750 000	R1 650 + 2% of taxable turnover above R500 000
R750 001 and above	R6 650 + 3% of taxable turnover above R750 000

SMALL BUSINESS CORPORATIONS	
Taxable income	**Rate of tax**
R0 – R78 150	0% of taxable income
R78 151 – R365 000	7% of taxable income above R78 150
R365 001 – R550 000	R20 080 + 21% of taxable income above R365 000
R550 001 and above	R58 930 + 28% of the amount above R550 000

Entities like companies and close corporations have a 80% inclusion rate for CGT, resulting in an effective rate of 22.4% compared to individuals' maximum effective rate of 18%.

Donations Tax

Payable in respect of a gratuitous (free) disposal of property (certain deemed donations). Both donations tax and CGT can be payable in respect of the same asset.

Donations tax rate	**2018**	**2019**
Value of property donated R30 million or less	20%	20%
Value of property donated more than R30 million	20%	25%
Annual exemption for individuals	R100 000	R100 000

Note that donations between spouses are exempt from donations tax. Interest–free loans to trusts are deemed to be donations and subject to donations tax in certain circumstances.

Estate Duty

Is a direct tax on the value of a deceased's assets at the date of death.

Estate Duty rate	**2018**	**2019**
Value of property donated R30 million or less	20%	20%
Value of property donated more than R30 million	20%	25%
Standard exemption on net value of each estate	R3.5 million	R3.5 million

Transfer duty

Transfer duty is payable at the following rates on transactions in respect of acquisition of property on or after 1 March 2017 that are not subject to VAT:

Value of property	Rate
R0 – R900 000	0%
R900 001 – R1 250 000	3% of the value above R900 000
R1 250 001 – R1 750 000	R10 500 + 6% of the value above R1 250 000
R1 750 001 – R2 250 00	R40 500 + 8% of the value above R1 750 000
R2 250 001 – R10 000 000	R80 500 + 11% of the value above R2 250 000
R10 000 001 and above	R933 000 + 13% of the value above R10 000 000

Environmental taxes

Tyre levy

From 1 February 2017 a tyre levy of R2.30 per kilogram was introduced.

Fuel levies

The general fuel levy will increase by 22 cents per litre (to R3.37 per litre of petrol and R3.22 per litre of diesel) and the road accident fund levy by 30 cents per litre (to R1.93 per litre for both petrol and diesel) from 4 April 2018.

Incandescent globe tax

The incandescent globe tax will increase from R6 to R8 per globe effective from 1 April 2018.

Plastic bag levy

The plastic bag levy will increase from 8c to 12c per bag effective from 1 April 2018.

Motor vehicle emissions tax

The tax on passenger vehicles will increase from R100 to R110 for every gram of emissions/km above 120 gCO2/km and, for double cabs, from R140 to R150 for every gram of emissions/km in excess of 175 gCO2/km, effective from 1 April 2018.

Health Promotion Levy (Sugar Tax)

Effective from 1 April 2018, a tax will be levied on sugar-sweetened beverages. The levy will be at a rate of 2.1c/gram of sugar content that exceeds 4g/100ml.

Excise Duties

Tobacco and alcohol

Product	Increased to	Increased by
Malt beer	161.56c per average 340ml can	10.0%
Traditional African beer	7.82c / litre	0.0%
Fortified wine (e.g. brandy)	R6.54 / litre	6.0%
Sparkling wine	R12.43 / litre	8.5%
Spirits	R61.30 / 750ml bottle	8.5%
Ciders and alcoholic fruit beverages	R95.03 / litre of absolute alcohol	10.0%
Cigarettes	R15.52 / 20 cigarettes	8.5%
Pipe tobacco	R4.94 / 25g	8.5%

Value-added Tax (VAT)

From 1 April 2018 the standard rate at which VAT is levied will be increased from 14% to 15%. Basic food items, for example brown bread and whole-wheat brown bread (not rye or low GI bread), will remain zero-rated which should limit the impact of the increase in the VAT rate on poor households.

Other 2018 Budget highlights

Fee-free higher education

R57 billion has been allocated in the medium term to fund first-year students, with a family income of below R350 000 per year, for the full cost of their studies at universities and TVET colleges. Students who previously received financial support from the National Student Financial Aid Scheme will have their student loans converted into bursaries.

In memory of Prof JMP Venter, who was for many years the driving force behind this booklet and project.

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