www.pwc.co.za/budget

Creating opportunities in tough times

Budget 2012

pwc

Budget 2012 22 February 2012

The Minister of Finance, Mr Pravin Gordhan, today announced that his department had provided an amount of R9.5 billion in personal income tax relief to individuals, mostly to taxpayers in the lower income brackets.

Government expenditure for the coming year is to be allocated as follows:

Education	R207.3 bn
Public order and safety	R98 bn
Economic affairs	R145 bn
Social protection	R157.9 bn
Local government, housing and community amenities	R120 bn
Health	R121.9 bn
Defence	R41.6 bn
Other	R166.6 bn

There were several other interesting announcements, including the following:

- Relief for micro businesses and small business corporations;
- Implementation of the dividend withholding tax at 15 per cent;
- Increase in the effective capital gains tax rates;
- Reforms in the tax treatment of contributions to retirement savings;
- Further reforms in the tax treatment of medical scheme contributions; and
- Higher taxes on alcohol and tobacco products.

Income tax - individuals

Both the minimum marginal rate of 18% and the maximum marginal rate of 40% have remained unchanged. The upper level of the band to which the 18% rate applies has been increased from R150 000 to R160 000 and the level at which the maximum rate is applicable has been increased from R580 000 to R617 000. The intervening brackets have all been adjusted upwards.

The proposed scale of rates for individuals and trusts is set out in the appendices. The new scale of rates for individuals will be applicable for years of assessment beginning on 1 March 2012**.**

The primary rebate is increased from R10 755 to R11 140, whilst the secondary rebate for individuals aged 65 years or older increased from R6 012 to R6 390. The third rebate for individuals 75 years and older has been increased from R2 000 to R2 130.

As a result of the amendments to the scale of rates and the rebates increasing, the tax threshold for individuals below the age of 65 is increased from R59 750 to R63 556, and for individuals aged between 65 and 75 from R93 150 to R99 056. The tax threshold for individuals 75 years and older increases from R104 261 to R110 889.

The resultant decrease in the tax liability for individuals younger than 65 is illustrated below:

Taxable income	2011/2012	2012/2013	Decrease
R	R	R	R
65 000	945	260	685
150 000	16 245	15 560	685
500 000	127 095	123 040	4 055
1 000 000	325 495	320 700	4 795

The interest exemption for individuals remains unchanged at R22 800 for individuals under the age of 65 and R33 000 for individuals over the age of 65. The exemption in respect of foreign interest and taxable foreign dividends remains unchanged at R3 700.

Encouraging household savings

It is proposed that a tax-preferred savings and investment vehicle be introduced with effect from 1 April 2014 to encourage savings as an alternative to the current tax-free interest caps (mentioned above).

To encourage greater savings among South Africans, tax-preferred savings and investment accounts are proposed as alternatives to the current tax-free interest-income caps. This will encourage a new generation of savings products. Returns generated within these savings and investment vehicles (including interest, capital gains and dividends) and withdrawals will be tax exempt. Aggregate annual contributions could be limited to R30 000 per year per taxpayer, with a lifetime limit of R500 000, to ensure that high net-worth individuals do not benefit disproportionately. The design and costs (banking and other fees) of these savings and investment vehicles may be regulated to help lower-income earners to participate. Government proposes to introduce tax-preferred savings and investment vehicles by April 2014. A discussion document will be published by May 2012 to facilitate consultation and refine these proposals.

Medical deductions and conversion to medical tax credits

As announced in the 2011 Budget, the income tax deductions for medical scheme contributions for taxpayers below 65 years will be converted to a tax credit. The proposed rates have been revised and the monthly tax credit will be increased from R216 to R230 each for the first 2 beneficiaries and from R144 to R154 for each additional beneficiary. The amendments will come into effect from 1 March 2012. Apart from those with disabilities, from 1 March 2012, where medical scheme contributions in excess of four times the total allowable tax credits plus out of pocket medical expenses combined exceed 7.5% of taxable income, they can be claimed as a deduction against taxable income. Under-65s with disabilities or with disabled dependents are not subject to the 7.5% threshold and thus can claim all out of pocket expenses, as well as the entire

excess medical scheme contributions (i.e. to the extent that it exceeds 4 times the allowable tax credits. Taxpayers 65 years and older can currently still claim all medical scheme contributions and out of pocket medical expenses against their taxable income.

Travel allowances

The deemed cost tables for travel allowances has increased as well as the deemed tax free reimbursive rate for business travel (R3,16 per kilometre) for business kilometres not exceeding 8 000 kilometres per annum.

Subsistence allowances

Tax-free subsistence allowances paid by an employer to an employee will be increased as follows:

- Meals and incidental costs - from R286 to R303 per day;
- Incidental costs only – from R88 to R93 per day; and
- Overseas travel – as set out on the SARS website per overseas country.

Capital gains tax

The inclusion rate for individuals increased from 25% to 33.3%. This results in a maximum effective tax rate for individuals and special trusts of 13.3%. The annual exclusion for individuals and special trusts increased from R20 000 to R30 000, while the exclusion on death increased from R200 000 to R300 000. The primary residence exclusion increased from R1.5 million to R2 million.

Miscellaneous matters

High net worth individuals

SARS have indicated that there is room for improvement for this segment of taxpayers and they will focus on this the coming year.

Taxation of payouts from SA or foreign retirement funds

SARS acknowledged there are a number of anomalies in the tax treatment of lump sum and annuity payouts from these funds. The issue will receive due consideration during the course of 2012 and 2013.

Social security and retirement reform

The main proposal is to establish a mandatory statutory fund to provide pensions, life insurance and disability benefits, based on the principle of social solidarity where risk will be shared across the workforce and the state will stand behind the fund.

The following reforms are proposed:

- Means test thresholds for social assistance will be raised and grants aligned with personal income tax rebates;

- Institutional consolidation across current social security arrangements, enabling efficiencies and oversight;
- Higher income earners will be encouraged to contribute to approved supplementary pension and insurance plans, in addition to their national security fund contributions; and
- Health-related benefits provided by Compensation Funds and the Road Accident Fund (RAF) will be aligned with national health insurance funding arrangements as the latter is implemented over time.

National Health Insurance

Over the medium term, general taxes will remain the primary financing mechanism for the public health system and national health insurance pilot projects. Over the longer term, new sources of financing will be required. Funding options could include a payroll tax (payable by both employees and employers), a higher VAT rate or a surcharge on taxable income, or some combination of these.

Retirement reforms

Individual taxpayer deductions will be set at 22.5% (taxpayers below 45 years) and 27.5% (taxpayers above 45 years), of the higher of employment or taxable income. Annual deductions will be limited to R250 000 (taxpayers below 45 years) and R300 000 (taxpayers above 45 years). A minimum monetary threshold of R20 000 will apply to allow low-income earners to contribute in excess of the prescribed percentages. Non-deductible contributions (in excess of the threshold) will be exempt from income tax if, on retirement, they are taken as either part of the lump sum or as annuity income. Measures to address some of the complexities of defined benefit pension schemes will be considered. These amendments will come into effect on 1 March 2014.

Employee share schemes

It is recognised that may companies use employee share schemes to motivate employees to meet black economic empowerment (BEE) objectives. This legitimate practice is supported, but in some instances such BEE schemes are mixed with executive share schemes which may lead to the undermining of tax. This has resulted in legislative uncertainty. Various types of employee schemes will be reviewed to eliminate loopholes and possible double taxation. The inter-relationship between employer deductions and employee share scheme income will also be reviewed as well as the incentive regime for low-income earner share schemes (with the possibility of this being merged into a single employee share scheme regime). The proposed review will take place over the next 2 years.

False job terminations

In some instances, employees terminate their employment solely to gain access to employer-provided retirement funds. In the extreme cases, employees resign only to be rehired by the same employer shortly thereafter. Access to withdrawal under these artificial circumstances will no longer be permitted.

Determination of the value of fringe benefits

The Income Tax Act, in some instances, prescribes the use of a formula to calculate the value of a fringe benefit to be taxed in the hands of employees. However, it could be possible for the employer to determine

the actual cost of providing the fringe benefit (for example actual business kilometres travelled). In such instances, where possible and practical, the employer will be allowed to use the actual cost to determine the value of the fringe benefit for the employee.

Employer-related fringe benefit

The fringe benefit threshold for employee accommodation is increased from R59 750 (2011/2012) to R63 556 (2012/2013).

Employer-owned insurance intended to cover a contingent liability

In 2011 we saw reforms in the taxation of employer-provided insurance. One unresolved issue relates to the purpose for which genuine key person insurance is intended. Insurance to cover against operating losses due to the loss of an employee clearly should be deductible for an employer if desired. On the other hand, deducting premiums for insurance to purchase ownership interests of an employee-shareholder or to repay the allocation of debt guaranteed by an employee-shareholder is questionable. The continued allowance of the deductible premiums will be explored and resolved in 2012 or 2013.

Taxation of divorce order-related retirement benefits

The "clean-break" principle with regard to divorces was introduced for private-sector funds in 2007. It is proposed that the taxation of retirement interests paid out as a result of divorce orders for the Government Employees Pension Fund (GEPF) should roughly mirror the treatment as implemented in the private-sector funds.

Learnership allowances

Currently employers do not qualify for the additional learnership allowance (in addition to the general deduction of employee expenses) if the learner did not complete a prior registered learnership. This prohibition will be re-examined. A further problem arises when registration is delayed owing to reasons outside the employer's control, but the allowance begins only upon official registration. The commencement date will be adjusted so that these delays do not undermine the benefit of the additional allowance.

Corporate tax

Corporate tax rate

The corporate tax rate remains unchanged at 28%.

Implementation of dividend withholding tax

DT, which will replace STC, will take effect on 1 April 2012. DT will be levied at 15%, unless tax treaty relief applies.

Several categories of shareholders will be exempt from the DT, including SA-resident companies and pension funds that are exempt from income tax.

Special economic zones

Special economic zones legislation will be introduced, building on the industrial development zone policy. The following are being considered:

- A possible reduction in the headline corporate income tax rate for businesses within selected zones (determined by the Minister of Finance after consultation with the Minister of Trade and Industry).
- An income tax exemption for the operators of special economic zones.
- An additional deduction from taxable income for the employment of workers earning below a predetermined threshold.

Incentives for the construction of affordable housing

A tax incentive for developers (and employers) to build new housing stock (at least five units in compliance with prescribed standards) for sale below R300 000 per dwelling is being considered (options include either a tax credit or a deduction at either a fixed rand amount per unit or as a percentage of the value of the dwelling).

Collateral amendments stemming from the implementation of DT

As the DT will become effective 1 April 2012, the following collateral adjustments will be made.

- Reduction of the 33% rate for foreign companies and personal service providers to 28%.
- Removal of the higher gold formula rate.
- Removal of the proposed passive holding company regime.
- Shortened period for transitional STC credits from 5 to 3 years.

Mark-to-market taxation of financial instruments

It is proposed that the current system of mark-to-market taxation for foreign currency instruments should be moved closer to modern accounting standards. However, the revised system will be subject to SARS approval.

Government grants

Determining which grants should be exempt is being reviewed. An explicit legislative list of exempt grants will be updated annually.

However, tax expenditure related to tax-exempt grant funding will not be deductible, depreciable or allowed as an offset against the grantee's taxable income.

Sale of trading stock to connected persons

Trading stock will be removed from the anti-avoidance connected person sale rules.

Supporting structures for energy projects

Energy projects such as wind, solar and hydroelectric facilities are eligible for accelerated depreciation on a 50:30:20 basis. Accelerated depreciation will be extended to ancillary structures, such as foundations and supporting structures associated with these arrangements.

Extension of urban development zone

The incentive for buildings (new and renovated) in urban development zones is set to expire in 2014. The cut-off date is binge re-examined along with any other anomalies associated with the incentive.

Captive finance vehicles

It is proposed that these schemes be reviewed for potential elimination.

Industrial policy incentives – section 12I

Section 12I of the Income Tax Act provides a tax incentive for qualifying companies in respect of investment and training. The legislative adjustments will result in a more streamlined process. First, a relaxation of the requirement for tax clearance certificates of all connected parties. Second, companies should submit monitoring reports until the allowance is exhausted or until all requirements of the programme are met.

Other miscellaneous proposals

It is proposed that amount or aggregate amount in section 23H be increased to R100 000.

Revised gambling tax

A national gambling tax based on gross gambling revenue will be introduced. This tax, effective from 1 April 2013, will take the form of an additional 1 per cent national levy on a uniform provincial gambling tax base. A similar tax base will be used to tax the national lottery.

Company law reform and restructuring

Government is considering harmonising the company law and tax rules with regard to reorganisations and other share restructurings. While the tax changes will be phased in over a two year period, the immediate focus will be on so-called share-for-share transactions.

Debt cancellations and restructuring

It is proposed that the current rules that apply to debt relief and restructuring be simplified. The revised rules should *inter alia* eliminate adverse tax consequences when debt relief restores a debtor to solvency and also deal with the capitalisation of loans (i.e. the conversion of debt into equity).

Debt funding for share acquisitions

It is proposed that interest incurred on loans used to acquire at least 70% shareholdings be deductible, subject to certain requirements being met. The requirements for claiming an interest deduction will be subject to the same controls that apply to intra-group transactions.

Limitations on interest deductions

Government is considering new rules to limit the deduction of interest that the fiscus regards as being excessive, for example deeming certain debt to be equivalent to shares and imposing ceilings on interest deductions.

Capital gains tax ('CGT')

The CGT inclusion rate for individuals and special trusts will be increased with effect from 1 March 2012 from 25% to 33.3% and for companies and other trusts from 50% to 66.6%. The maximum effective capital gains tax rate will therefore increase from 10% to 13.3% for individuals and special trusts, from 14% to 18.6% for companies and from 20% to 26.7% for other trusts.

The following exemptions for individual capital gains are also increased from 1 March 2012:

- The annual exclusion from R20 000 to R30 000
- The exclusion amount on death from R200 000 to R300 000
- The primary residence exclusion from R1.5 million to R2 million
- The exclusion amount on the disposal of a small business when a person is over age 55 from R900 000 to R1.8 million
- The maximum market value of assets allowed for a small business disposal for business owners over 55 years increases from R5 million to R10 million.

Securities Transfer Tax ('STT')

The current blanket STT exemption for brokers will be abolished on 1 April 2013. Broker transactions, where the beneficial ownership rests with the broker, will become subject to STT at an appropriate lower rate. This reduced rate will also cover the purchase of shares utilised in support of derivative hedging.

Turnover tax for micro businesses

Following the reforms of the turnover tax for micro businesses (with annual turnover below R1 million) that were announced in the prior year budget, further amendments are now proposed. These include alleviating the administration burden on these micro businesses by providing for the option of making payments for turnover tax, VAT and employees' tax at twice-yearly intervals from 1 March 2012. Furthermore, it is proposed that from 1 March 2013 micro businesses will bi-annually submit a single combined return. The number of returns required for these taxes will therefore fall from about 18 per year to only two a year in 2013. The build-up of tax liability will require such taxpayers to ensure that funds are available when payment is due.

Small business corporations

In order to encourage the growth of small incorporated businesses, Treasury propose to increase the tax-free threshold for small businesses from R59 750 to R63 556. Furthermore, small businesses with a taxable

income of up to R350 000 is now taxed at 7 percent. Previously small businesses with a taxable income of R300 000 was taxed a 10 percent. For taxable income above R350 000, the normal corporate tax rate of 28 percent applies. These amendments will come into effect for years of assessment ending on or after 1 April 2012.

Tax administration

SARS will in the following year increase its focus on cross-border cooperation with Revenue Authorities.

The Tax Administration Bill has now been approved by Parliament. It is expected that this bill will be promulgated during 2012 and that most of the provisions in this bill will be brought into force during this year.

SARS intends to shift modernisation efforts to corporate income tax over the next 12 months and intends to improve its audit capability and align declarations to International Financial Reporting Standards where possible.

During 2012 a dedicated ombud for tax matters as envisaged by the Tax Administration Bill will be formed. The office is intended to provide taxpayers with a low-cost mechanism to address administrative difficulties that cannot be resolved by SARS.

Review of short-term and long-term insurance taxation

As part of the global insurance reform associated with solvency assessment and management (SAM) projects and following several tax concerns from National Treasury and SARS, a comprehensive review of the tax system applicable to insurers is currently underway. To simplify the task, it is proposed that the tax system for calculating short-term insurance reserves be addressed in 2012, with long-term insurers being addressed in 2013. A short paper on long-term insurers will be circulated for comment by mid-2012.

International tax

Dual-listed companies and other offshore reorganisations

It is proposed that an offshore section 45 provision will be introduced (i.e. rollover relief on the disposal of assets within a group).

It is further proposed that the use of the participation exemption will be limited where unbundling transactions are used to indirectly strip value from a South African multinational. This should address the concern where unbundlings are used to facilitate dual-linked structures to shift foreign operations outside South Africa's tax net.

Rationalisation of withholding tax on foreign payments

Government proposes to coordinate and streamline the procedures, rates and times for the existing royalty and proposed future interest withholding taxes.

It is further proposed that a uniform withholding tax rate of 15% is introduced for royalties and interest.

Please also refer to the proposed increase in the withholding tax on dividends under the heading: ”Implementation of dividend withholding tax”.

South African investment into Africa

There are currently tax residency issues where South African tax residents provides management services from South Africa, specifically where there is active South African management over controlled foreign subsidiaries. This may trigger dual-residence tax status even though all day-to-day operational activities are being conducted in the foreign jurisdiction. It is proposed that the dual-residence tax status of South African residents be removed if the tax of the foreign country is roughly on par with otherwise applicable South African tax. Alternatively, the issue can be resolved as a matter of interpretation.

It is further proposed that loans by South African tax residents to non-residents (presumably this refers to non-interest bearing loans) are treated as shares, in line with the decision to treat certain forms of debt as shares.

Local managers of foreign funds

It is proposed that a legislative carve-out be created for foreign investment funds so that these funds are not inadvertently subject to worldwide taxation.

Foreign investment funds often rely on active managers in South Africa for direction regarding African fund assets. However, this form of guidance often raises tax risks, especially the risk that this form of management will be viewed as South African effective management in tax terms, giving rise to a worldwide tax on all fund assets. This risk has deprived local fund managers of foreign investment fund business and has even forced certain local fund managers to relocate abroad.

Ongoing refinements to headquarter company relief

Anomalies in respect of transfer-pricing and foreign currency will be addressed to encourage regional headquarter company investment.

Indirect Tax

VAT

National Treasury is considering a number of policy and legislation amendments specific to VAT during 2012 as outlined below.

It is proposing that the zero-rating of interest earned on loans to non-residents is eliminated with a view to equalising the VAT treatment in line with interest earned on loans to South African residents.

The policy, legislation and administration of the cross-border movement of goods in a number of areas will be reviewed. Specifically, the VAT treatment of indirect exports of goods by road will be reviewed to ensure that exporters are not prejudiced, and to ensure that the fiscus is protected. In line with this review, the VAT treatment of temporary imports to promote local processing and beneficiation will be considered.

The VAT provisions relating to goods sold by foreign companies prior to entry for home consumption will be amended. Currently a discrepancy arises whereby a foreign company that sells goods that enter South African territorial waters may be required to register for VAT if the activity is continuous or regular. The purchaser is liable for import VAT on clearance of the goods for home consumption resulting in two VAT charges for the same goods.

Where moveable goods are imported into a customs controlled area (CCA) of an industrial development zone, customs duty and VAT is exempt. However, where the goods are temporarily removed from the CCA and not returned within 30 days, a deemed VAT charge is payable. For customs purposes, the removal leads to a voucher of correction which is processed by customs at which point the VAT on importation becomes payable, resulting in a double VAT charge. It is proposed that this double charge is eliminated.

Transitional rules in the VAT Act to clarify the date of liability for VAT when a person becomes liable to register for VAT will be introduced. Currently a person that becomes liable to register for VAT on account of reaching the R1 million threshold must apply to SARS for registration within 21 days. That person cannot charge VAT on supplies however, until they have been registered as a VAT vendor by the South African Revenue Service ("SARS") and transitional rules will be introduced into the VAT Act to deal with this discrepancy.

It is proposed that the administration fees payable by employees to bargaining councils which regulate collective agreements and undertake dispute resolution for their members be exempt from VAT on the basis that these activities are similar to that of an employee organisation.

Currently, moveable goods supplied through an instalment credit agreement take the form of a sale or a lease whereby finance charges and insurance may be payable. In line with Shariah law, which prohibits the charging of interest, it is proposed that the provisions governing instalment credit agreements in the VAT Act are amended to accommodate products which are compliant with Shariah law.

It is proposed that the conditions whereby a vendor can issue credit or debit notes to correct incorrect tax invoices be extended. This is to correct inconsistencies whereby a vendor issues a tax invoice for an incorrect amount.

While the receipt and accruals of a political party registered in terms of the Electoral Act (1998) is exempt from income tax, there is no such provision in the VAT Act. As a result, it is unclear whether receipts and accruals of a political party are "consideration" for taxable supplies or a "donation" for VAT purposes. Accordingly, National Treasury proposes that the receipts and accruals of political parties be exempted from VAT on the basis that a donation is more consistent with the nature and mandate of political parties that there is no reciprocal performance between the political party and a donor.

Finally, as South Africa is currently bidding to host the Square Kilometre Array (an international collaboration to build the world's largest telescope), National Treasury will consider providing VAT relief in the form of zero-rating of the consideration received for the project and for imported goods and services, or a refund mechanism if South Africa were successful in the bid.

Excise Duties

It has been proposed that the Excise duty will increase on the following products with effect from 22 February 2012 by the following percentages:

Cigarettes:	5.95% from R9,74 to R10,32 per 20 cigarettes
Cigarette tobacco:	4.94% from R10,53 to R11,05 per 50g cigarette tobacco
Cigars:	5.01% from R50,52 to R53,05 per 23g of cigars
Pipe tobacco:	8.05% from R2,98 to R3,22 per 25g pipe tobacco
Unfortified wine:	7.76% from R2,32 to R2,50 per litre
Sparkling wine:	8.03% from R6,97 to R7,53 per litre
Fortified wine:	6.00% from R4,33 to R4,59 per litre
Spirits:	20.00% from R93.03 to R111,64 per litre absolute alcohol
Malt beer:	9.99% from R53,97 to R59,36 per litre absolute alcohol
Ciders & alcoholic fruit beverages:	9.59% from R2,71 per litre to R2,97 per litre

In respect of beer and spirits, an increased benchmark tax burden is proposed, to be phased in over two years. The excise on spirits will increase by 20 per cent to R36 for a 750 ml bottle this year, the tax on beer goes up by 10 per cent to R1.01 for a 340 ml can and wine will contribute 8 per cent more to the fiscus.

Fuel Levy and Road Accident Fund ('RAF')

It is proposed that the general fuel levy on petrol and diesel be increased by 20 c/l.

It is proposed to increase the RAF levy on petrol and diesel by 8 c/l from 80 c/l to 88 c/l.

These increases will come into effect on 4 April 2012.

Electricity Levy

There will be an increase in the levy on generation of electricity from non-renewable energy sources by 1c/kWh to 3.5 c/kWh. The additional revenue will replace the current funding mechanism for energy efficiency initiatives such as solar water geyser programmes. The increase should have little impact on the electricity tariffs. The increase will come into effect from 1 July 2012.

Ad Valorem Excise Duties

An ad valorem excise duty at a rate of 7 per cent will apply to small aeroplanes and helicopters with a mass below 5 000 kg. A duty of 10 per cent will apply to motorboats and sailboats longer than 10 metres. The increase will come into effect from 1 October 2012.

Customs

The transformation of SARS customs is starting to gain momentum, and additional steps will be taken over the period ahead to achieve fully integrated electronic customs capability.

RATES

INDIVIDUALS RATES, REBATES AND TAX THRESHOLD 2012/13	
Persons (including deceased estates) other than companies and trusts, but including special trusts and trusts established for the benefit of minor children	
Taxable income (R)	**Rates of tax**
0 – 160 000	18% of each R1
160 001 – 250 000	R28 800 + 25% of the amount above R160 000
250 001 – 346 000	R51 300 + 30% of the amount above R250 000
346 001 – 484 000	R80 100 + 35% of the amount above R346 000
484 001 – 617 000	R128 400 + 38% of the amount above R484 000
617 001 and above	R178 940 + 40% of the amount above R617 000
Rebates (applicable to individuals only)	
Primary	R11 440
Secondary	R6 390
Third	R2 130
Tax threshold	
Below age 65	R63 556
Age 65 and older	R99 056
Age 75 and older	R110 889
Capital gains exclusions	
Primary residence	R2m
Individuals and special trusts	R30 000
Exclusion on death	R300 000
Person over 55 disposing of business	R1.8 million

TRUSTS (OTHER THAN SPECIAL TRUSTS)	
Flat rate	40%

TURNOVER TAX FOR MICRO BUSINESSES	
Turnover (R)	**Rates of tax**
0 – R150 000	0%
R150 001 – R300 000	1% of each R1 above R150 000
R300 001 – R500 000	R1 500 + 3% of the amount above R300 000
R500 001 – R750 000	R7 500 + 5% of the amount above R500 000
R750 001 and above	R20 000 + 7% of the amount above R750 000

INCOME TAX: SMALL BUSINESS CORPORATIONS	
Taxable Income (R)	**Rates of tax**
0 – R63 556	0%
R63 556 – R350 000	7% of taxable income above R63 556
R350 001 and above	R20 051 + 28% of taxable income above R300 000

COMPANY RATES		
	2012/13	**2011/2012 %**
Normal company income tax rate (excluding taxable income from mining operations and long-term insurance)	28	28
Branch income tax	28	33
Tax on ‘employment companies’	28	33
Dividend withholding tax	15	10 (STC)

CAPITAL GAINS TAX RATES			
Taxpayer	**Inclusion rate %**	**Statutory rate %**	**Effective tax rate %**
Individuals	33.3	0 – 40	0 – 13.3
Retirement funds	N/a	N/a	N/a
Companies (standard)	66.6	28	18.6
Branches of foreign companies	66.6	28	18.6
Trusts (normal)	66.6	40	26.7
Trusts (special)	33.3	0 – 40	0 – 13.3

OTHER RATES		
	2012/13 **%**	**2011/2012** **%**
Value-added tax	14	14
Donations tax	20	20
Estate duty	20	20
Skills development levy	1	1

The information contained in this summary is based on our interpretation of the existing legislation and Budget proposals. These proposals are subject to amendment during the forthcoming debate in the National Assembly before they become law. Whilst we have taken every care in preparing the summary, we cannot accept responsibility for any inaccuracies that may arise.

We suggest that you use this summary as a guide, but that you consult us before taking any decisions based in the information contained herein.