This SARS pocket tax guide has been developed to provide a synopsis of the most important tax, duty and levy related information for 2014/15.

**INCOME TAX: INDIVIDUALS AND TRUSTS**

Tax rates (year of assessment ending 28 February 2015)

**Individuals and special trusts**

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 174 550</td>
<td>18% of taxable income</td>
</tr>
<tr>
<td>174 551 – 272 700</td>
<td>31 419 + 25% of taxable income above 174 550</td>
</tr>
<tr>
<td>272 701 – 377 450</td>
<td>55 957 + 30% of taxable income above 272 700</td>
</tr>
<tr>
<td>377 451 – 528 000</td>
<td>87 382 + 35% of taxable income above 377 450</td>
</tr>
<tr>
<td>528 001 – 673 100</td>
<td>140 074 + 38% of taxable income above 528 000</td>
</tr>
<tr>
<td>673 101 and above</td>
<td>195 212 + 40% of taxable income above 673 100</td>
</tr>
</tbody>
</table>

**Trusts other than special trusts:** Rate of Tax 40%

**Tax Rebates and Tax Thresholds**

**Rebates**

- Primary: R12 726
- Secondary (Persons 65 and older): R7 110
- Tertiary (Persons 75 and older): R2 367

**Age**

- Below age 65: R70 700
- Age 65 to below 75: R110 200
- Age 75 and over: R123 350

**Provisional Tax**

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person’s principal. The following individuals are exempt from the payment of provisional tax –
• Individuals below the age of 65 who do not carry on a business and whose taxable income –
  ▪ will not exceed the tax threshold for the tax year; or
  ▪ from interest, foreign dividends and rental will be R20 000 or less for the tax year.
• Individuals 65 years of age and older if their taxable income for the tax year –
  ▪ consists exclusively of remuneration, interest, foreign dividends or rent from the letting of fixed property; and
  ▪ is R120 000 or less.

A provisional tax return showing an estimation of total taxable income for the year of assessment is only to be submitted if the Commissioner for SARS so requires.

### Retirement fund lump sum withdrawal benefits

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 25 000</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>25 001 - 660 000</td>
<td>18% of taxable income above 25 000</td>
</tr>
<tr>
<td>660 001 - 990 000</td>
<td>114 300 + 27% of taxable income above 660 000</td>
</tr>
<tr>
<td>990 001 and above</td>
<td>203 400 + 36% of taxable income above 990 000</td>
</tr>
</tbody>
</table>

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order). Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to –

- tax determined by applying the tax table to the aggregate of lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011.

### Retirement fund lump sum benefits or severance benefits

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 500 000</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>500 001 - 700 000</td>
<td>18% of taxable income above 500 000</td>
</tr>
<tr>
<td>700 001 – 1 050 000</td>
<td>36 000 + 27% of taxable income above 700 000</td>
</tr>
<tr>
<td>1 050 001 and above</td>
<td>130 500 + 36% of taxable income above 1 050 000</td>
</tr>
</tbody>
</table>

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of the employer’s trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person’s office or employment.

Tax on a specific retirement fund lump sum benefit or a severance benefit (lump sum X or severance benefit Y) is equal to –

- tax determined by applying the tax table to the aggregate of amount Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all severance benefits accruing before severance benefit Y from March 2011.

### Foreign Dividends

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 15%. No deductions are allowed for expenditure to produce foreign dividends.
**Interest exemptions**

- Interest from a South African source earned by any natural person under 65 years of age, up to R23 800 per annum, and persons 65 and older, up to R34 500 per annum, is exempt from taxation.
- Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 182 days during the 12 month period before the interest accrues or is received and who were not carrying on business in South Africa through a fixed place of business during that period of 12 months. From 1 January 2015 the debt from which the interest arises must not be effectively connected to a fixed place of business in South Africa.

**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, 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**
In determining tax payable, individuals are allowed to deduct –
- monthly contributions to medical schemes (a tax rebate referred to as a medical scheme fees tax credit) up to R257 for the individual who paid the contributions and the first dependant on the medical scheme and R172 for each additional dependant; and
- in the case of –
  - an individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year
  - any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

**Donations**

Donations in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums and severance benefits). The amount of donations exceeding 10% of the taxable income is treated as a donation to qualifying public benefit organisations in the following tax year.

**Allowances**

**Subsistence allowances and advances**
Where the recipient is obliged to spend at least one night away from his or 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 per day is deemed to have been expended;
- incidental costs only, an amount of R103 for each day which falls within the period 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 under Legal & Policy / Secondary Legislation / Income Tax Notices / 2014
**Travelling allowance**

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

<table>
<thead>
<tr>
<th>Value of the vehicle (including VAT) (R)</th>
<th>Fixed cost (R p.a.)</th>
<th>Fuel cost (c/km)</th>
<th>Maintenance cost (c/km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 80 000</td>
<td>25 946</td>
<td>92.3</td>
<td>27.6</td>
</tr>
<tr>
<td>80 001 - 160 000</td>
<td>46 203</td>
<td>103.1</td>
<td>34.6</td>
</tr>
<tr>
<td>160 001 - 240 000</td>
<td>66 530</td>
<td>112.0</td>
<td>38.1</td>
</tr>
<tr>
<td>240 001 - 320 000</td>
<td>84 351</td>
<td>120.5</td>
<td>41.6</td>
</tr>
<tr>
<td>320 001 - 400 000</td>
<td>102 233</td>
<td>128.9</td>
<td>48.8</td>
</tr>
<tr>
<td>400 001 - 480 000</td>
<td>120 997</td>
<td>147.9</td>
<td>57.3</td>
</tr>
<tr>
<td>480 001 - 560 000</td>
<td>139 760</td>
<td>152.9</td>
<td>71.3</td>
</tr>
<tr>
<td>exceeding 560 000</td>
<td>139 760</td>
<td>152.9</td>
<td>71.3</td>
</tr>
</tbody>
</table>

**Note:**

80% of the travelling allowance 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.

No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is covered by a maintenance plan).

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.

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.

**Alternatively:**

Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 330 cents per kilometre, regardless of the value of the vehicle. This alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

**Other deductions**

Other than the deductions set out above an individual may only claim deductions against employment income or allowances in limited specified situations, e.g. bad debt in respect of salary.

**Fringe Benefits**

**Employer-owned vehicles**

- 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 when the employer acquired the vehicle the taxable value is 3.25% of the determined value; or
  - acquired by the employer under an operating lease the taxable value is the cost incurred by the employer under the operating lease plus the cost of fuel.
- 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.
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.

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.

The formula will apply if the accommodation is owned by the employer, by an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

**INCOME TAX: COMPANIES**

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

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies</td>
<td>28% of taxable income</td>
</tr>
</tbody>
</table>

**INCOME TAX: SMALL BUSINESS CORPORATIONS**

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

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 70 700</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>70 701 – 365 000</td>
<td>7% of taxable income above 70 700</td>
</tr>
<tr>
<td>365 001 – 550 000</td>
<td>20 601 + 21% of taxable income above 365 000</td>
</tr>
<tr>
<td>550 001 and above</td>
<td>59 451 + 28% of the amount above 550 000</td>
</tr>
</tbody>
</table>

**TURNOVER TAX FOR MICRO BUSINESSES**

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

<table>
<thead>
<tr>
<th>Taxable turnover (R)</th>
<th>Rate of tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 150 000</td>
<td>0% of taxable turnover</td>
</tr>
<tr>
<td>150 001 – 300 000</td>
<td>1% of taxable turnover above 150 000</td>
</tr>
<tr>
<td>300 001 – 500 000</td>
<td>1 500 + 2% of taxable turnover above 300 000</td>
</tr>
<tr>
<td>500 001 – 750 000</td>
<td>5 500 + 4% of taxable turnover above 500 000</td>
</tr>
<tr>
<td>750 001 and above</td>
<td>15 500 + 6% of taxable turnover above 750 000</td>
</tr>
</tbody>
</table>

**RESIDENCE BASIS OF TAXATION**

Residents are taxed on their worldwide income, subject to certain exclusions. The general principle is that foreign taxes on foreign sourced income are allowed as a credit against South African tax payable. This is applicable to individuals, companies, close corporations and trusts.

**TAXATION OF CAPITAL GAINS**

Capital gains on the disposal of assets are included in taxable income.

**Maximum effective rate of tax:**

- Individuals and special trusts: 13.3%
- Companies: 18.6%
- Other trusts: 26.6%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

The following are some of the specific exclusions:

- R2 million gain or loss on the disposal of a primary residence
- Most personal use assets
- Retirement benefits
- Payments in respect of original long-term insurance policies
• annual exclusion of R30 000 capital gain or capital loss is granted to individuals and special trusts
• small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million when a small business with a market value not exceeding R10 million is disposed of
• instead of the annual exclusion, the exclusion granted to individuals is R300 000 for the year of death.

DIVIDENDS TAX

Dividends tax is a final tax at a rate of 15% on dividends paid by resident companies and by non-resident companies in respect of shares listed on the JSE. Dividends are tax exempt if the beneficial owner of the dividend is a South African company, retirement fund or other exempt person. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances. The tax is to be withheld by companies paying the taxable dividends or by regulated intermediaries in the case of dividends on listed shares. The tax on dividends in kind (other than in cash) is payable and is borne by the company that declares and pays the dividend.

OTHER WITHHOLDING TAXES

In limited circumstances the applicable tax rate may be reduced in terms of a tax treaty with the country of residence of a non-resident.

Royalties

A final tax at a rate of 12% is imposed on the gross amount of royalties from a South African source payable to non-residents. The tax rate increases to 15% with effect from 1 January 2015.

Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents with effect from 1 January 2015. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognised exchange.

Foreign entertainers and sportspersons

A final tax at the rate of 15% is imposed on gross amounts payable to non-residents for activities exercised by them in South Africa as entertainers or sportspersons.

Disposal of immovable property

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 5% for a non-resident individual, 7.5% for a non-resident company and 10% for a non-resident trust that is selling the immovable property.

OTHER TAXES DUTIES AND LEVIES

Value-added Tax (VAT)

VAT is levied at the standard rate of 14% on the supply of goods and services by registered vendors.

A vendor making taxable supplies of more than R1 million per annum must register for VAT. A vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Certain supplies are subject to a zero rate or are exempt from VAT.

Transfer Duty

Transfer duty is payable at the following rates on transactions which are not subject to VAT -

Acquisition of property by all persons:

<table>
<thead>
<tr>
<th>Value of property (R)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 600 000</td>
<td>0%</td>
</tr>
<tr>
<td>600 001 – 1 000 000</td>
<td>3% of the value above R600 000</td>
</tr>
<tr>
<td>1 000 001 – 1 500 000</td>
<td>R12 000 + 5% of the value above R 1000 000</td>
</tr>
<tr>
<td>1 500 001 and above</td>
<td>R37 000 + 8% of the value exceeding R1 500 000</td>
</tr>
</tbody>
</table>
Estate Duty

Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents.

A basic deduction of R3.5 million is allowed in the determination of an estate’s liability for estate duty as well as deductions for liabilities, bequests to public benefit organisations and property accruing to surviving spouses.

Donations Tax

- Donations tax is levied at a flat rate of 20% on the value of property donated.
- The first R100 000 of property donated in each year by a natural person is exempt from donations tax.
- In the case of a taxpayer who is not a natural person, the exempt donations are limited to casual gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses and South African group companies and donations to certain public benefit organisations are exempt from donations tax.

Securities Transfer Tax

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

Tax on International Air Travel

R190 per passenger departing on international flights excluding flights to Botswana, Lesotho, Namibia and Swaziland, in which case the tax is R100.

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 Skills Development Levies.

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 a certain amount.

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

### SARS INTEREST RATES

<table>
<thead>
<tr>
<th>Rate of interest (from 1 February 2014)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe benefits - interest-free or low-interest loan (official rate)</td>
<td>6.5% p.a.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Rates from 1 March 2011</th>
<th>Rates from 1 May 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late or underpayment of tax</td>
<td>8.5% p.a.</td>
<td>9% p.a.</td>
</tr>
<tr>
<td>Refund of overpayment of provisional tax</td>
<td>4.5% p.a.</td>
<td>5% p.a.</td>
</tr>
<tr>
<td>Refund of tax on successful appeal or where the appeal was conceded by SARS</td>
<td>8.5% p.a.</td>
<td>9% p.a.</td>
</tr>
<tr>
<td>Refund of VAT after prescribed period</td>
<td>8.5% p.a.</td>
<td>9% p.a.</td>
</tr>
<tr>
<td>Late payment of VAT</td>
<td>8.5% p.a.</td>
<td>9% p.a.</td>
</tr>
<tr>
<td>Customs and Excise</td>
<td>8.5% p.a.</td>
<td>9% p.a.</td>
</tr>
</tbody>
</table>

### 2014 BUDGET HIGHLIGHTS AND RECOMMENDATIONS

- Personal income tax relief of R9.25 billion.
- Tax preferred savings accounts to be made available. Further interest exemption, 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.
- Davis Tax Review Committee recommends the replacement of small business corporation accelerated deductions and progressive tax rates with an annual tax compliance rebate, subject to certain conditions. The committee also recommends the retention of turnover tax on micro businesses with a reduction in tax rates on taxable turnover.