



Audit • Advisory • Tax

TAX GUIDE 2019 / 2020

Tax Facts

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RATES OF TAXES

Individual, special trusts, insolvent and deceased estates

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2019

Taxable income (R)	Rate of tax
0 – 195 850	18% of each Rand
195 851 – 305 850	35 253 + 26% of the amt > 195 850
305 851 – 423 300	63 853 + 31% of the amt > 305 850
423 301 – 555 600	100 263 + 36% of the amt > 423 300
555 601 – 708 310	147 891 + 39% of the amt > 555 600
708 311 – 1 500 000	207 448 + 41% of the amt > 708 310
1 500 001 and above	532 041 + 45% of the amt > 1 500 000

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2020

Taxable income (R)	Rate of tax
0 – 195 850	18% of each Rand
195 851 – 305 850	35 253 + 26% of the amt > 195 850
305 851 – 423 300	63 853 + 31% of the amt > 305 850
423 301 – 555 600	100 263 + 36% of the amt > 423 300
555 601 – 708 310	147 891 + 39% of the amt > 555 600
708 311 – 1 500 000	207 448 + 41% of the amt > 708 310
1 500 001 and above	532 041 + 45% of the amt > 1 500 000

Retirement fund lump sum withdrawal benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2020

Taxable income (R)	Rate of tax
0 – 25 000	0% of each Rand
25 001 – 660 000	18% of the amt > 25 000
660 001 – 990 000	114 300 + 27% of the amt > 660 000
990 001 and above	203 400 + 36% of the amt > 990 000

Retirement fund lump sum benefits or severance benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2020

Taxable income (R)	Rate of tax
0 – 500 000	0% of each Rand
500 001 – 700 000	18% of the amt > 500 000
700 001 – 1 050 000	36 000 + 27% of the amt > 700 000
1 050 001 and above	130 500 + 36% of the amt > 1 050 000

Trusts (other than special trusts)

YEARS OF ASSESSMENT ENDING ON 28 FEBRUARY 2020

	2020	2019
Trusts	45.0%	45.0%
Effective Capital Gains Tax Rate	36.0%	36.0%

USEFUL INFORMATION AT A GLANCE

Rebates and thresholds	2020	2019
Primary rebate for individuals	R14 220	R14 067
Secondary rebate (65 years of age or older) <i>in addition to primary rebate</i>	R7 794	R7 713
Tertiary rebate (75 year of age or older) <i>in addition to primary and secondary rebate</i>	R2 601	R2 574
Tax threshold for individuals under 65 years of age	R79 000	R78 150
Tax threshold for individuals 65 years of age to below 75 years of age	R122 300	R121 000
Tax threshold for individuals 75 years of age or older	R136 750	R135 300
Interest exemption	2020	2019
Interest exemption for individuals under 65 years of age	R23 800	R23 800
Interest exemption for individuals 65 years of age or older	R34 500	R34 500
Donations tax and estate duty	2020	2019
Donations tax rate – first R30 m	20%	20%
Donations tax rate – amount > R30 m	25%	25%
Donations tax – annual exemption <i>individuals only</i>	R100 000	R100 000
Estate duty rate – estate < R30 m	20%	20%
Estate duty rate – estate > R30 m	25%	25%
Estate duty abatement ^(N1)	R3.5 m	R3.5 m

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

Capital Gains Tax Individuals	2020	2019
Annual capital gain/loss exclusion	R40 000	R40 000
Primary residence exclusion	R2 m	R2 m
Exclusion on death	R300 000	R300 000
Once-off relief for disposal of qualifying small business assets	R1.8 m	R1.8 m
Effective CGT rate – individuals and special trusts	0 – 18.00%	0 – 18.00%

Travel allowance	2020	2019
Travel allowance subject to PAYE ^(N1)	80%	80%
Maximum vehicle value ^(N2)	R595 000	R595 000

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

(N2) In terms of both the deemed and actual cost reduction methods, the value of the vehicle is capped at this amount. In respect of the actual cost reduction method, the capping applies in respect of wear and tear or lease payments and finance charges. To claim against a travel allowance received, a log book needs to be maintained.

Travel allowance – deemed expenditure scale as an alternative to actual data applicable

YEAR ENDING 28 FEBRUARY 2020

Value of the vehicle (incl VAT) (R)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
0 – 85 000	28 352	95.7	34.4
85 001 – 170 000	50 631	106.8	43.1
170 001 – 255 000	72 983	116.0	47.5
255 001 – 340 000	92 683	124.8	51.9
340 001 – 425 000	112 443	133.5	60.9
425 001 – 510 000	133 147	153.2	71.6
510 001 – 595 000	153 850	158.4	88.9
> 595 000	153 850	158.4	88.9

Reimbursed travel

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,61 per kilometre, no tax will be payable provided:

- the reimbursement is based on actual business kilometres travelled; and
- no other compensation in the form of a further travel allowance or reimbursement is paid by the employer to the employee.

The reimbursement exceeding a rate of R3,61 per kilometre must be included as remuneration to calculate the amount of employees' tax to be withheld.

COMPANY CAR

Taxable value per month	2020	2019
First company car:		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%
Second and subsequent company cars (not used primarily for business)		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%

Notes:

1. The above monthly rates apply to the determined value of the vehicle. From 1 March 2011, VAT is included in calculating the determined value.
2. From 1 March 2011, reductions to the fringe benefit value for private travel and / or costs borne by the employee for insurance, maintenance or fuel for private travel are only made on assessment. In order to claim a reduction, a logbook needs to be maintained.
3. 80% of the fringe benefit value, not reduced for private use or costs above, is subject to PAYE. Where the employer is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the fringe benefit value.
4. Where the employer holds the vehicle under an operating lease, as defined in the Income Tax Act, the fringe benefit value is not calculated on the percentage method per the table above, but is the sum of the actual lease costs and the cost of fuel.

OFFICIAL RATE OF INTEREST

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

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

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

The current official rate is set at 7.75% with effect from 1 December 2018.

TRANSFER PRICING

Country-by-Country Reporting

South African companies forming part of a multinational group need to comply with certain transfer pricing reporting requirements. If the consolidated group revenue, of which a South African resident is a part, exceeds R10 billion or EUR750 million, the SA resident will either have to prepare a Country-by-Country Report and a Master File, or notify SARS as to which group entity prepares these documents. Regardless of these thresholds, South African residents who have entered into potentially affected transactions (PAFs, transactions with connected foreign residents) that in aggregate exceed or are reasonably expected to exceed R100 million during a year, are required to submit a Local File to SARS and possibly a master file.

Each PAF which exceeds R5 million, should be supported by an extensive transfer pricing analysis. If the South African resident's PAFs do not exceed the R100 million threshold or enters into a PAF below the R5 million threshold, SARS may still request proof that the company is transacting at arm's length. These regulations apply with effect from years of assessment commencing on or after 1 October 2016.

DEDUCTIONS FROM INCOME – INDIVIDUALS

Retirement funds

The deductible amount for current contributions to pension, provident and retirement annuity funds in a year of assessment is limited to the lesser of R350 000 or 27.5% of the higher of the person's remuneration for PAYE purposes or taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit). To avoid a loss before the inclusion of a taxable capital gain, taxable income for the purpose of calculating the deductible amount, does not include any deduction in respect of contributions to retirement funds or the inclusion of any taxable capital gain. For employees' tax purposes, where the annual cap of R350 000 applies, such cap is spread on a cumulative basis. The cumulative cap takes into account the remuneration and the period in respect of which contributions to retirement funds are made. Given that the cumulative cap only applies for employees' tax purposes, the unused portion of the annual cap of R350 000 will be taken into account upon assessment.

TRANSFER DUTY

With effect from 1 March 2019 the rates are as follows (acquisition is not subject to VAT):

Property value (R)	Rate of tax
0 – 900 000	0%
900 001 – 1 250 000	3% of the value in excess of R900 000
1 250 001 – 1 750 000	R10 500 plus 6% of the value in excess of R1 250 000
1 750 001 – 2 250 000	R40 500 plus 8% of the value in excess of R1 750 000
2 250 001 – 10 000 000	R80 500 plus 11% of the value in excess of R2 250 000
10 000 001 and above	R933 000 plus 13% of the value in excess of R10 000 000

MEDICAL EXPENSES

2019/2020 year of assessment

Medical aid contributions or qualifying medical expenses are not claimable as deductions. A credit-only (tax rebate) system applies.

If the taxpayer is younger than 65 and is not disabled and has no disabled dependants:

In respect of medical aid contributions, the amount of the credit is limited to:

- R310 if the contributions are in respect of the taxpayer only;
- R620 in respect of the taxpayer and one dependant;
- R209 in the case of each additional dependant.

In determining the tax payable, individuals younger than 65 are allowed to deduct 25% of an amount equal to the sum of 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).

If the taxpayer is younger than 65 and is disabled or has a disabled dependant or, alternatively, is 65 and older:

An additional credit is allowed and is calculated as 33.3% of the sum 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.

Donations to certain Public Benefit Organisations (PBOs)

The deduction is limited to 10% of taxable income calculated excluding retirement fund lump sums and severance benefits. The deduction claimed must be supported by a Section 18A certificate issued by the PBO.

COMPANIES AND CLOSE CORPORATIONS

Normal tax on taxable income	2020	2019
Companies (other than entities below)	28.0%	28.0%
Companies (other than entities below) Effective capital gains tax rate	22.4%	22.4%
Turnover based presumptive tax system (elective) for micro businesses (turnover not exceeding R1m)	0% – 3.0%	0% – 3.0%
Non-resident companies with a branch in the Republic on SA source income	28.0%	28.0%
Personal service providers	28.0%	28.0%
Income Tax on Small Business Corporations for financial years ending between 1 April 2019 to 31 March 2020 ^(N1) :		
0 – R79 000		0.0%
R79 001 – R365 000		7.0%
	of the amount above R79 000	
R365 001 – R550 000		R20 020 + 21.0%
	of the amount above R365 000	
R550 001 and above		R58 870 + 28.0%
	of the amount above R550 000	
Public benefit organisations and recreational clubs (trading income only)	28.0%	28.0%

(N1) *Primary requirements to qualify as a small business corporation: all the shares are held by individuals, none of whom hold shares in any other company (other than listed shares, unit trusts and shares in certain tax exempt entities); the gross income of the corporation may not exceed R20m for the year of assessment; not more than 20% of the gross income of the company may comprise investment income and income from rendering a personal service and the company is not an 'employment company' or a 'personal service provider'.*

WITHHOLDING TAXES

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

Dividends tax

This is a tax on the beneficial owner of a dividend at the standard rate of 20%. This is subject to numerous exemptions, including dividends paid to South African resident companies and Public Benefit Organisations as beneficial owners and where the dividend is not exempt from income tax in the hands of the recipient. In the case of dividends in kind (other than in cash) the tax is borne by the company that declares and pays the dividend.

Interest

A final withholding tax on interest paid to non-residents is levied at 15%. Numerous exemptions apply, including interest arising from banks, government debt and listed debt.

Royalties and similar payments to non-residents

A final withholding tax at the rate of 15% of the gross royalties payable in respect of royalties paid to non-residents for the use of patents, designs etc. in the Republic.

Disposal of immovable property

A withholding tax in advance of a non-resident's capital gains tax liability must be withheld by the purchaser in respect of the disposal by a non-resident of immovable property with a value in excess of R2m. The rates are: 7.5% of the purchase price if the seller is a natural person, 10% if the seller is a company and 15% if the seller is a non-resident trust. A lower withholding rate than those set out above may be granted on application.

Foreign entertainers and sportspersons

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

INTEREST RATES PAYABLE / RECEIVABLE

	1 Mar 2019	1 July 2018
Late or underpayment of tax	10.25% p.a.	10% p.a.
Refund of overpayment of provisional tax	6.25% p.a.	6% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	10.25% p.a.	10% p.a.
Refund of VAT after prescribed period	10.25% p.a.	10% p.a.
Late payment of VAT	10.25% p.a.	10% p.a.
Customs and Excise	10.25% p.a.	10% p.a.

VALUE-ADDED TAX (VAT)

VAT is levied on taxable supplies by registered VAT vendors at the standard rate of 15%. The compulsory VAT registration threshold is a turnover of R1 million per annum and for a voluntary registration, the threshold is a turnover of R50 000 per annum.

A number of supplies are zero rated, for example exports from the Republic and other supplies are classified as exempt, for example financial services and residential accommodation. From 1 April 2019 the supply of white bread flour, cake flour and sanitary pads will also be zero rated.

Non-resident suppliers of 'electronic services' as prescribed by the Minister by regulation, will be required to register for VAT at the end of any month where the total value of the taxable supplies exceeded R1 million in the previous 12-month period.

SECURITIES TRANSFER TAX (STT)

STT is levied at a rate of 0.25% on the higher of the consideration paid and the market value in respect of the transfer or redemption of listed or unlisted securities, including that of members' interests in close corporations.

SKILLS DEVELOPMENT LEVY (SDL)

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

UNEMPLOYMENT INSURANCE FUND (UIF)

Unemployment insurance contributions are payable monthly by employers on the basis of a contribution of 1% by the employer and 1% by the employees, based on employees' remuneration below a certain amount. The employer and employee contributions are both calculated at a rate of 1% of the employee's gross remuneration up to a prescribed remuneration threshold (before the deduction of pension fund, retirement annuity fund and qualifying medical aid contributions), where applicable. The maximum remuneration on which UIF contributions are calculated is R14 872 per month or R178 464 per annum. Note that the remuneration threshold is subject to change from time to time.

Foreign nationals employed on a temporary basis in South Africa are also liable to contribute towards UIF.

WE TAKE IT PERSONALLY.
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