



Hogan
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Tax Guide 2018/19

South Africa

Individuals and Trusts – Tax Rates

1 March 2018 to 28 February 2019

Individual taxpayers and special trusts

Taxable Income	Rate of tax
R0 – R195 850	18% of taxable income
R195 851 – R305 850	R35 253 + 26% of taxable income above R195 850
R305 851 – R423 300	R63 853 + 31% of taxable income above R305 850
R423 301 – R555 600	R100 263 + 36% of taxable income above R423 300
R555 601 – R708 310	R147 891 + 39% of taxable income above R555 600
R708 311 – R1 500 000	R207 448 + 41% of taxable income above R708 310
R1 500 001 – and above	R532 041 + 45% of the taxable income above R1 500 000

Trusts other than special trusts: 45% of taxable income

Tax rebates and deductions

Rebates	2018	2019
Primary rebates – individuals	R13 635	R14 067
Secondary rebate – individuals over 65	R7 479	R7 713
Tertiary rebate – individuals over 75	R2 493	R2 574

Tax threshold	2018	2019
Under 65 years of age	R75 750	R78 150
65 to 75 years of age	R117 300	R121 000
75 years of age and over	R131 150	R135 300

Medical and disability expenses

Monthly medical tax credits will increase in line with inflation from 1 March 2018 as follows:

Monthly medical tax credits for all taxpayers	2017/2018	2018/2019
Member	R303	R310
First beneficiary	R303	R310
Additional beneficiaries	R204	R209

Transfer Duty

Rates for transfer duty

Property value	Rate of tax
R0 – R900 000	0%
R900 001 – R1 250 000	3% of the value of the property above R900 000
R1 250 001 – R1 750 000	R10 500 + 6% of the value above R1 250 000
R1 750 001 – R2 250 000	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

Companies – Income Tax Rates

Local companies and branches of foreign companies are subject to income tax at a rate of 28%.

Micro Business

Turnover	Rate of tax
R0 – R335 000	0%
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 Corporation

	Rate of tax
R0 – R78 150	0%
R78 151 – R365 000	7% of taxable income above R78 150
R365 001 – R550 000	R20 248 + 21% of taxable income above R365 000
R550 001 and above	R59 098 + 28% of taxable income above R550 000

Dividends

Dividends tax

A South African tax resident company has an obligation to withhold and pay to the SARS 20% of the value of any dividend declared, subject to certain exemptions.

- If the shareholder to whom the dividend is payable is a South African tax resident company, the company declaring the dividend is not obliged to withhold 20% of the value of the dividend payable. Similarly if the shareholder is a retirement fund, public benefit organisation or other exempt person the company declaring the dividend is not obliged to withhold the 20%.
- Please note that non-South African tax resident companies that have shares listed on the JSE will be obliged to withhold 20% of the dividend declared, subject to certain exemptions.
- In limited circumstances non-resident beneficial owners of dividends may enjoy relief in terms of a double taxation treaty.

Retirement Fund Lump Sum Benefits

Taxation of withdrawal benefits

Withdrawal Amount	Rate of tax
R0 – R25 000	0% of withdrawal amount
R25 001 – R660 000	18% of withdrawal amount above R25 000
R660 001 – R990 000	R114 300 +27% of withdrawal amount above R660 000
R990 001 and above	R203 400 +36% of withdrawal amount above R990 000

Taxation of retirement benefit lump sums on retirement

Lump Sum Amount	Rate of tax
R0 – R500 000	0% of lump sum amount
R500 001 – R700 000	18% of lump sum amount above R500 000
R700 001 – R1 050 000	R36 000 +27% of lump sum amount above R700 000
R1 050 001 and above	R130 500 +36% of lump sum amount above R1 050 000

Interest Exemptions

Exemptions in respect of taxable interest (from a South African source) earned by an individual	2017	2018
Under 65 years of age	R23 800	R23 800
65 years of age and over	R34 500	R34 500

Schedule of Values for Travelling Allowances

Where no records of actual costs are kept, the rates per kilometre that may be used in determining the deduction that is allowable for business travel is determined using the following table:

Value of vehicle (incl VAT)	Fixed cost (p.a.)	FFull cost c/km	Maintenance cost c/km
R0 – R85 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
R225 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
R595 000 – and above	153 850	158.4	88.9

Note

- For the purposes of calculating PAYE, 80% of the travelling allowance must be included in the employee's remuneration. The percentage is reduced to 20% if the employer is satisfied that no less than 80% of the use of the vehicle for the year of assessment will be for business purposes.
- If the employee has not borne the full cost of fuel used in the vehicle, no fuel cost may be claimed. If the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan), no maintenance cost may be claimed.

- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes only for a portion of the year.
- The costs that may be claimed against a travelling allowance are determined with reference to the actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book.

Alternatively

- No tax is payable on an allowance paid by an employer to an employee, up to the rate of 361 cents per kilometre, regardless of the value of the vehicle.
- If an employee received other compensation in the form of a reimbursement or allowance in respect of the vehicle, this alternative will not be available

Fringe Benefits Tax – Employer-owned Vehicles

The right of use by an employer-owned vehicle by an employee:

- The value of the monthly fringe benefit (the taxable value) is normally calculated at 3.5% of the vehicle's determined value.
- 80% of the fringe benefit must be included in the taxpayer's remuneration for the purposes of calculating PAYE. This percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the vehicle for the tax year will be for business purposes.
- On assessment, the fringe benefit 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 license, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the taxpayer and if the distance travelled for private purposes is substantiated by a log book.

Estate Duty

Estate duty is payable by South African tax residents and is levied on South African property owned by non-residents.

- Abatement of R3.5 million.
- Estates up to a value of R30 million will be taxed at a flat rate of 20%.
- Any amount in excess of R30 million will be taxed at a flat rate of 25%.

Donations

Donations tax is applicable to donations made by any South African tax resident.

Individuals can donate R100 000 per annum and juristic persons can donate R10 000 per annum as a casual gift without incurring any donations tax liability.

Donations (individually or in aggregate) up to R30 million will attract donations tax at a flat rate of 20% on the value of the property donated.

The amount by which the donation exceeds R30 million will be taxed at a flat rate of 25%.

Donations between spouses are not subject to donations tax. Similarly, donations to certain public benefit organisations and between South African group companies are not subject to donations tax.

Capital Gains Tax (CGT)

Taxable income includes a portion of the capital gains made on the disposal of assets.

Effective CGT rates

Taxpayer	Maximum effective rate
Individuals and special trusts	18%
Ordinary companies	22.4%
Other trusts	36%

Tax base

- Residents – disposal of assets anywhere in the world
- Non-residents – disposal of immovable property situated in South Africa, disposal of shares in certain companies that own immovable property in South Africa, and disposal of the business assets of a permanent establishment in South Africa.
- “Disposal” includes sale, donation, exchange, loss, death and emigration.

Exclusions

- In the year of death of an individual R300 000.
- Special trusts and individuals are granted R40 000 capital gains or capital loss per annum.
- Most personal-use assets.
- On the disposal of a primary residence, the first R2 million is not subject to CGT.
- Payment from long-term insurance policies.
- Retirement benefits.
- Small business - If an individual, over the age of 55 years, disposes a small business, the market value of which does not exceed R10 million, the first R1.8 million of the capital gain will not be subject to tax.

Withholding Taxes

Royalties

A final tax at a rate of 15% is imposed on the gross amount of royalties from a South African source payable to non-residents.

Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents.

Dividend

A final tax at a rate of 20% is imposed on dividends from a South African source payable to non-residents.

Immovable property

Government proposes to increase the withholding tax on immovable property sales by non-residents. Rates will remain at 7.5% for individuals, 10% for companies and 15% for trusts.

Foreign entertainers and sportspersons

A final tax at a rate of 15% is imposed on gross amounts received from a South African source payable to non-resident entertainers and sportspersons.

Value-added tax (VAT)

Standard VAT tax rate increases from 14% to 15% as from 1 April 2018.

Registration threshold: If the vendor achieves or is likely to achieve taxable supplies of R1 million per annum registration is required.

Voluntary registration may be applied for if a vendor makes taxable supplies exceeding R50 000 per annum.

Other Taxes

Skills Development Levy (SDL) and Unemployment Insurance Contributions (UIF)

Contributions to UIF are equal to a 1% of the “remuneration” payable by both the employer and the employee.

SDL is payable by the employer only at a rate of 1% of the “remuneration”. Employers with an annual “remuneration” expense of less than R500 000 are exempt from paying SDL.

Securities transfer tax (STT)

STT is payable at a rate of 0.25% on the transfer (also cancellation or redemption in certain circumstances) of all securities of companies incorporated in South Africa. The amount of STT payable is calculated with reference to the higher of the consideration paid for the securities by the purchaser or the market value thereof as at the date of transfer. It is also payable on the transfer of a member’s interest in a close corporation. Several exemptions are applicable.

Fuel and Road Accident Fund levies

The general fuel and Road Accident Fund levies are set to increase by 22c/l and 30c/l, respectively, on diesel and petrol effective from 4 April 2018.

Sin taxes

The duties on alcoholic beverages and tobacco products will increase between 6% and 10%.

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