



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

MEDIA STATEMENT

20 February 2008

Taxation Laws Amendment Bills, 2008: General Overview

The Minister of Finance is releasing the draft Taxation Laws Amendment Bills, 2008, today for public comment. The draft Bills may be obtained from the National Treasury (www.treasury.gov.za) or SARS (www.sars.gov.za) web sites. This legislation, together with the Revenue Laws Amendment Bills (due later in 2008), will give effect to the tax proposals presented by the Minister of Finance in the 2008 National Budget as tabled in Parliament on 20 February 2008. This set of Bills deals with the rates, thresholds, urgent policy and administrative matters as well as technical corrections. The more complex policy proposals announced will be addressed in the Revenue Laws Amendment Bills after further consultation.

More specifically, the Bills released today deal with the following key matters:

1. *Rates and thresholds:* The main purpose of the Bills is to give effect to the rates and thresholds so these items can formally go into effect as soon as possible in accordance with the mandate provided in the 2008 Budget Review. The full list of rates and threshold changes involving the Income Tax and Value-Added Tax Acts are attached as an Annexure for easy reference.
2. *Urgent policy matters:*
 - a. *Pensions:* The proposed legislation clarifies pension tax administration by codifying and clarifying key pension practices and interpretations within the Income Tax Act. The legislation also paves the way for much of the regime to be shifted to the Pensions Act so that regulation is mainly handled by the Financial Services Board (rather than dual oversight by the Financial Services Board and the South African Revenue Service).
 - b. *Skilled expatriates:* Relief is granted to skilled expatriates working temporarily in South Africa. These expatriates can now receive employer-provided accommodation for a period of two years without being subject to fringe benefits tax. This exemption is subject to a ceiling equal to the lesser of 25 per cent of salary or R25 000 per month.
 - c. *Anti-avoidance:* The proposed legislation closes certain pressing domestic and cross-border restructuring schemes. This aspect of the legislation is addressed in another simultaneous media release called "Taxation Laws Amendment Bills, 2008: Company Restructuring Measures."

3. *Administrative matters:*

a. *Administrative penalties*

The current penalty system does not appropriately cater for less serious procedural and administrative non-compliance. The legislation will provide an enabling framework for a more objective penalty system to be introduced with certain criteria to be determined by regulation.

b. *Tax return filing*

In line with international practice several amendments are proposed to underpin the simplification of individual income tax returns. These include the removal of legislative requirements for the attachment of supporting documentation to returns, greater flexibility with respect to employee tax returns and the introduction of a penalty for the failure to submit annual reconciliations of employees' tax.

Note: An Explanatory Memorandum is also published to assist in interpreting and understanding the above bills at a more detailed level.

Public Comments and Parliamentary Hearings

The National Treasury is scheduled to brief the Parliament's Portfolio Committee on Finance on the draft legislation on 4 March 2008. Parliament will through its processes request public comments on the draft Bill, and thereafter hold public hearings on 5 March 2008. Whilst all comments should be submitted to the Parliamentary Portfolio Committee of Finance, members of the public are also invited to send the same comments to the National Treasury directly, before 5 March 2008 (and hence before the public hearings). Comments in this regard should be sent by email to jeanne.viljoen@treasury.gov.za or by fax to 012 315 5516. Please ensure that the comments reach us by 5 March 2008.

RATES AND THRESHOLDS 2008**Income Tax and Value-Added Tax Changes****1. Individuals rate changes***Table I: Current 2007 rates for individuals and special trusts*

Taxable Income	Rate of tax
Not exceeding R112 500	18 per cent of the taxable income
Exceeding R112 500 but not exceeding R180 000	R20 250 plus 25% of the amount by which the taxable income exceeds R112 500
Exceeding R180 000 but not exceeding R250 000	R37 125 plus 30% of the amount by which the taxable income exceeds R180 000
Exceeding R250 000 but not exceeding R350 000	R58 125 plus 35% of the amount by which the taxable income exceeds R250 000
Exceeding R350 000 but not exceeding R450 000	R93 125 plus 38% of the amount by which the taxable income exceeds R350 000
Exceeds R450 000	R131 125 plus 40% of the amount by which the taxable income exceeds R450 000

Table II: Proposed 2008 rates for individuals and special trusts

Taxable Income	Rate of tax
Not exceeding R122 000	18 per cent of the taxable income
Exceeding R122 000 but not exceeding R195 000	R21 960 plus 25% of the amount by which the taxable income exceeds R122 000
Exceeding R195 000 but not exceeding R270 000	R40 210 plus 30% of the amount by which the taxable income exceeds R195 000
Exceeding R270 000 but not exceeding R380 000	R62 710 plus 35% of the amount by which the taxable income exceeds R270 000
Exceeding R380 000 but not exceeding R490 000	R101 210 plus 38% of the amount by which the taxable income exceeds R380 000
Exceeds R490 000	R143 010 plus 40% of the amount by which the taxable income exceeds R490 000

Table III: Rebates

Description	Reference to the Income Tax Act	2007 Amount	2009 Amount
Primary rebate	Section 6(2)(a)	R 7 740	R8 280
Secondary rebate	Section 6(2)(b)	R 4 680	R 5 040

2. Company rate changes

Table IV: Company rates

Taxable Income	2007 Rate of tax	2008 Rate of tax
All taxable income	29%	28%

Table V: Current 2007 rate for small business corporations

Taxable Income	Rate of tax
Not exceeding R43 000	0% of taxable income
Exceeding R43 000 but not exceeding R300 000	10% of the amount by which the taxable income exceeds R43 000
Exceeding R300 000	R25 700 plus 29% of the amount by which the taxable income exceeds R300 000

Table VI: Proposed 2008 rate for small business corporations

Taxable Income	Rate of tax
Not exceeding R46 000	0% of taxable income
Exceeding R46 000 but not exceeding R300 000	10% of the amount by which the taxable income exceeds R46 000
Exceeding R300 000	R25 400 plus 28% of the amount by which the taxable income exceeds R300 000

Table VII: Rates for gold mining companies

Taxable Income	2007 Rate of tax	2008 Rate of tax
gold mining taxable income without electing the STC exemption	37%	34%
gold mining taxable income when electing the STC exemption	46%	43%

Table VIII: Rates for employment companies

Taxable Income	2007 Rate of tax	2008 Rate of tax
All taxable income	34%	33%

Table IX: Rates for long-term insurance companies

Taxable Income	2007 Rate of tax	2008 rate of tax
Taxable income of individual policyholder fund	30%	30%
Taxable income of company policyholder fund	29%	28%
Taxable income of corporate policyholder fund	29%	28%

Table X: Rates for nonresident companies

Taxable Income	2007 Rate of Tax	2008 Rate of tax
Taxable income from South African sources	34%	33%

3. Threshold changes

Table XI: General savings thresholds

General description	Reference to the Income Tax Act	Current monetary amount	Proposed monetary amount
Exemption for interest and certain dividends:			
Exemption for domestic interest and otherwise taxable domestic collective scheme dividends in respect of persons younger than 65 years	Section 10(1)(i)(xv)(bb)(b)	R18 000	R19 000
Exemption for passive portfolio savings in respect of persons 65 years or older	Section 10(1)(i)(xv)(bb)(a)	R26 000	R27 500
Maximum application of the above exemption for foreign interest and otherwise taxable dividends	Section 10(1)(i)(xv)(aa)	R3 000	R3 200
Capital gains exclusions:			
Annual exclusion for individuals and special trusts	Paragraph 5(1) of Eighth Schedule	R15 000	R16 000

Table XII: Deductible business expenses for individuals

General description	Reference to the Income Tax Act	Current monetary amount	Proposed monetary amount
Car allowance: Individuals receive an annual vehicle allowance to defray business travel expenses.			
Ceiling on vehicle cost	Section 8(1)(b)(iiiA)(bb)(a)	R360 000	R400 000
Ceiling on debt relating to vehicle cost	Section 8(1)(b)(iiiA)(bb)(b)	R360 000	R400 000

Table XIII: Employment-related fringe benefits

General description	Reference to the Income Tax Act	Current monetary amount	Proposed monetary amount
<p>Exempt scholarships and bursaries: Employers can provide exempt scholarships and bursaries to relatives of low-income employees, subject to annual monetary ceilings.</p>			
Annual ceiling for employee remuneration	Paragraph (ii)(aa) of the proviso to section 10(1)(q)	R60 000	R100 000
Annual ceiling for bursary amounts	Paragraph (ii)(bb) of the proviso to section 10(1)(q)	R3 000	R10 000
<p>Medical scheme contributions: Medical scheme contributions are tax deductible if the individual pays (and tax-free if the employer pays) subject to monthly ceilings.</p>			
Monthly ceiling for schemes with one beneficiary	Section 18(2)(c)(i)(aa) and paragraph 12A(1)(a) of Seventh Schedule	R530	R570
Monthly ceiling for schemes with two beneficiaries	Section 18(2)(c)(i)(bb) and paragraph 12A(1)(b) of Seventh Schedule	R1 060	R1 140
Additional monthly ceiling for each additional beneficiary	Section 18(2)(c)(i)(cc) and paragraph 12A(1)(c) of Seventh Schedule	R320	R345

Table XIV: Miscellaneous

General description	Reference to the Income Tax Act	Current monetary amount	Proposed monetary amount
Public benefit organisations: PBOs providing housing are exempt if beneficiaries are part of households with a monthly income of the stated amount or less.	Paragraph 3(a) of Part I of Ninth Schedule and paragraph 5(a) of Part II of Ninth Schedule	R3 500	R7 000
Prepaid expenses: Limit of prepaid expenses that will not be deferred until delivery of goods, services or benefits	Paragraph (bb) of the proviso to section 23H(1)	R50 000	R80 000

Table XV: Administration

General description	Reference to the Income Tax Act	Current monetary amount	Proposed monetary amount
Investment income exempt from provisional tax: If a natural person solely generates income from interest, dividends and rentals, the amount indicated is exempt from provisional tax			
In the case of natural persons below age 65	Paragraph 18(1)(c)(ii) of Fourth Schedule	R10 000	R20 000

Table XVI: Value-Added Tax

General description	Reference to the Value-Added Tax Act	Current monetary amount	Proposed monetary amount
Registration			
- Compulsory	Section 23(1)(a)	R300 000	R1 million
Tax periods			
- Category D submission of VAT 201 return	Section 27(4)(c)(i) & (ii)	R1,2 million	R1,5 million
- Category C (and category D not applicable)	Section 27(5)	R30 million (and R1,2 million)	R30 million (and R1,5 million)
- Category F submission of VAT 201 return	Section 27(4B)(a)(i) & (ii)	R1,2 million	R1,5 million