MEDIA STATEMENT

2 June 2011

Taxation Laws Amendment Bills, 2011: General Overview

National Treasury releases for public comment a draft of the 2011 Taxation Laws Amendment Bills that gives effect to most of the 2011 Budget Review tax proposals, as well as to additional urgent measures. The draft legislation and explanatory memorandum can be found on the National Treasury (www.treasury.gov.za) and (www.sars.gov.za) websites.

To support inclusive growth and development, the TLAB provides for further personal income tax relief, the introduction of a third rebate for aged individuals 75 years and over, transfer duty relief, various monetary threshold adjustments including increases in the capital gains exclusion amounts, measures to enhance the learnership and industrial policy incentive programmes, increase in the turnover tax exemption threshold for micro businesses, measures to build on South Africa's role as a regional gateway regime, and includes new anti-avoidance measures. The TLAB does not include the taxation of gambling winnings and contributions to retirement funds. These outstanding matters from the 2011 Budget will be covered by separate legislation in the form of a second set of bills. For technical constitutional reasons, the TLAB continues to be split into two bills - a money bill (section 77 of the Constitution) covering issues relating to rates and base and an ordinary bill covering administration (section 75 of the Constitution).

The draft 2011 Taxation Laws Amendment Bills (TLAB) are published for public comment before formal introduction in Parliament. The Standing Committee of Finance (SCOF) convenes informal hearings on these draft bills and considers public comments received. Subject to confirmation from the SCOF, the date for the briefing is planned for 15 June 2011, and the dates for the public hearings are set for 21 and 22 June 2011. The National Treasury and SARS consider all the comments received, and thereafter submit a response document to the SCOF in August. The draft Bills are then revised and formally introduced in Parliament by the Minister of Finance (expected to be in early September).

The draft TLAB deals with a number of notable matters, including:

1. *Rates and thresholds:* The main purpose of the Bills is to give effect to the changes in rates and thresholds so these items can formally go into effect at the start of the tax year or as provided in the 2011 Budget Review. The full list of rates and threshold changes involving the Income Tax and Value-Added Tax Acts are dealt with at the end of this statement (see **Rates and Thresholds Annexure B**) for easy reference. These changes include:

- Personal income tax relief through adjustments to the personal income tax brackets and rebates amounting to R8.1 billion.
- Introduction of a third rebate of R2000 per year for taxpayers' 75 years and older.
- Increase in the transfer duty exemption threshold from R500 000 to R600 000 and introduction of a reduced 3 per cent interval from R600 000 to R1 million.
- Adjustments to various thresholds, such as the capital gain annual exclusion increasing from R17 500 to R20 000 annually.
- Increase in the tax-free interest-income annual threshold from R22 300 to R22 800 for individuals below 65 years and from R32 000 to R33 000 for individuals aged 65 years and older.
- Adjustments to the turnover tax exemption threshold for micro businesses from R100 000 to R150 000 per year.
- Extension of the learnership tax incentive for a further five years.

2. *Income tax: Individuals, savings and employment*:
   - Living annuities: The Bills contain a proposal to open up the provision of living annuities (to be relabelled as Retirement Income Drawdown Accounts) in order to promote competition. Under the new regime, collective investment schemes (CIS) companies, banks using their CIS licences and Government will be allowed to offer these products (in addition to the current dispensation for life insurers).
   - Medical tax credits: The Bills give effect to the 2011 Budget proposal to convert expenditures associated with medical aid contributions converted into tax credits. In addition, a discussion paper on a more comprehensive conversion into credits for all other current medical deductions will be published next week for public comment and consultation.
   - Long-term insurance: In 2011, changes were made to the taxation of long-term insurance in order to prevent executives from using key person plans as a means of avoiding fringe benefit tax. These changes, however, highlighted the need to revise the whole system as applied to policyholders and beneficiaries. The basic system focuses on payments versus proceeds. Premiums paid with after-tax contributions generate tax-free proceeds on pay-out; premiums paid with pre-tax contributions result in taxable proceeds.

3. *Income tax: Business*
   - Anti-avoidance measures: The Bills contain a number of anti-avoidance measures including the hiatus of section 45 and ordinary tax treatment of dividends from third-party backed shares (see **Suspension of Intra-Group Rollovers – Annexure A**). In addition, these Bills treat dividend cessions as ordinary revenue (as well as dividends in respect of long-held shares when matched by offsetting short positions). Like third-party backed shares, dividends in these cases should not be entitled to tax-free treatment because the holder lacks any meaningful economic interest in the underlying shares giving rise to the dividends. As a consequential measure, the imposition of Securities Transfer Tax on the cession of dividends is withdrawn.
   - Completion of the dividends tax: As stated in the 2011 Budget Review, the proposed Dividends Tax will be made operational as of 1 April 2012 (via Ministerial notice in

the Government Gazette). The Bills accordingly make the final adjustments associated with implementation of the new tax. Most notably, foreign dividends will effectively become subject to the same 10 per cent level of tax. The Value Extraction Tax (i.e. the successor to deemed dividend treatment under the Secondary Tax on Companies) will be dropped in favour of a facts and circumstances approach to deemed dividends.

- Incentives: Government is revising a number of pre-existing tax incentives: Firstly, the requirements associated with venture capital company incentive will be greatly eased to encourage pooling of investments for junior mining and small business. Secondly, the industrial policy incentive will be enhanced for projects located within industrial development zones. Thirdly, the research and development incentive will now require a pre-approval system to curtail avoidance while providing enhanced certainty for legitimate projects. Lastly, the film allowance for film owners will be converted into an exemption so as to encourage film profit (as opposed to the current emphasis on costs).
- Government Islamic bonds: A tax framework will be enacted that will allow for Government to issue Islamic bonds (i.e. Sikuks). The regime will essentially allow for asset-based financing with the yield giving rise to tax that is equivalent to interest. These bonds will serve as the standard for risk-free Islamic financing within South Africa.

4. *Income tax: International*

- Regional gateway initiatives: The Bills largely expand on the Gateway to Africa initiatives initiated in 2010. The Bills remove the potential for double taxation by South African multinationals operating abroad through a variety of legislative measures, such as the use of a revised source system and through the addition of special tax credits in the case of foreign withholding taxes imposed on South African sourced management fees. The Bills also remove a number of practical anomalies associated with the "headquarter company" regime introduced in 2010.
- Controlled foreign company (CFC) revisions: The Bills contain substantial revisions to the taxable versus tax-free nature of the activities associated with a CFC. The revised rules eliminate the current transfer pricing penalty but more explicitly require an arm's length analysis when determining whether income is attributable to exempt active business activities. The anti-avoidance rules have also been revised to better target the tainted activities of concern and eliminate the use of discretionary trusts (and other forms of de facto ownership) employed to undermine the CFC regime.
- Offshore cell companies: In recent years, it was announced that cell companies would be the target of anti-avoidance legislation. The Bills achieve this result by treating each cell of an offshore cell company as a separate company for purposes of the CFC regime. The net result of this segregated treatment is to ensure that CFC status is measured on a cell-by-cell basis, thereby triggering a greater likelihood of CFC treatment.

5. *Value-added Tax:*

- Notional input credits in respect of fixed residential property: The proposed rules eliminate the current Transfer Duty limitation when VAT vendors acquire secondhand fixed property from non-VAT vendors. As a result, VAT vendors acquiring properties from non-VAT vendors will be eligible for input credits based on the full purchase price. This change should assist the cash-flow needs of many developers when acquiring residential property.

- Temporary relief for developers engaged in short-term rentals of residential fixed property: Under current law, application of residential property for rental purposes triggers an automatic deemed VAT charge. This deemed VAT charge effectively undercuts attempts by developers to obtain short-term cash-flows when difficult market conditions prevent desired sales. The proposed amendment provides relief by deferring this deemed charge for a period lasting up to three years.

6. *Other taxes:*

- Securities Transfer Tax – Broker-member exemption: The broker-member exemption will be temporarily expanded to provide relief for all broker-members acting in their capacity as principal. This amendment will apply from 1 January 2011 until the close of 31 December 2012. The purpose of this temporary adjustment is to review current commercial practices on the JSE. Upon completion of this review, the broker-exemption will be explicitly revised so as to apply solely to situations where the Securities Transfer Tax would otherwise inhibit JSE liquidity.
- Transfer Duty – Company rollovers: Companies (and trusts) will now be subject to the same progressive rate of Transfer Duty as natural persons. As part of this change, taxpayers engaged in asset-for-share rollovers (e.g. upon formation of a company) will now additionally obtain relief from Transfer Duty.

Discussion Documents and further legislation

1. Urgent Retirement Reforms

The 2011 Budget Review also contains proposals on the retirement contribution base and the tax treatment of contributions to retirement funds which includes proposed thresholds for tax deductions up to 22.5 per cent and limited to R 200 000 per annum. In addition, statements pertaining to the imposition of the $1/3^{rd}$ lump sum/ $2/3^{rd}$ annuity split for provident funds are also made. Given the need for further consultation, these issues will first be addressed in discussion documents for public comment, after which legislation will be considered, either in late 2011 or in 2012. These discussion documents will be published in July 2011.

2. *Medical Credits*

A discussion document will be issued covering the conversion of medical deductions into medical credits (due out next week). These credits are to promote greater equity in the tax system.

3. *Gambling*

Further details on the taxation of gambling winnings will be published for public comment by the end of July 2011. This will focus on the design and administrative aspects of the tax.

Public Comments

The National Treasury and SARS are scheduled to brief the Parliament's Standing Committee on Finance regarding the draft legislation on 15 June 2011 (subject to confirmation by Parliament). Comments should be submitted to the National Treasury via Nomfanelo Mpotulo at Nomfanelo.mpotulo@treasury.gov.za and to SARS via Adele Collins at acollins@sars.gov.za by 4 July 2011.

Comments should also be submitted to the Parliamentary Standing Committee on Finance with informal hearings currently scheduled for the 21st and 22nd of June 2011 (subject to confirmation by Parliament). For further details about the Parliamentary hearings and submission process, contact Allen Wicomb at Parliament at awicomb@parliament.gov.za or by telephone on 021 403 3759. To assist with the processing of comments in regard to all of the above submissions, comments should be given in the order listed as per the explanatory memorandum.

Issued by: National Treasury

Date: 2 June 2011

TLAB: Documents for Public Comment (available on www.treasury.gov.za)

1. Explanatory Memorandum on the Draft Taxation Laws Amendment Bill, 2011
2. Draft Taxation Laws Amendment Bill 2011
3. Draft Taxation Laws Second Amendment Bill 2011

I. Background

The purpose of this Media Statement is to highlight the immediate hiatus of section 45 rollover relief (as suspended within the Taxation laws Amendment Bills, 2011). This media statement also highlights concerns about related issues, such as form versus substance issues involving the tax classification of debt versus shares, the significant risk to the corporate tax base posed by excessive debt, and the urgent need for an overall review of these and inter-connected matters.

II. Overall paradigm

A. General debt/equity concerns`

Debt or share characterisation of financial instruments carries two distinct sets of consequences:

- *Debt:* Commercially, debt represents a claim on a specified stream of cash flows. This claim is payable despite the financial performance of the debtor. In tax terms, debt payments representing interest are typically deductible by the debtor with the same payments being includible as ordinary revenue by the creditor.

- *Shares:* Commercially, shares represent a contingent claim by the owners in respect of company profits as evidenced by dividends declared (and increased share value). In tax terms, the company payor may not deduct dividends. Under current law, dividends generally carry a 10 per cent charge imposed on the company payor by virtue of the Secondary Tax on Companies. With the advent of the new Dividends Tax, the 10 per cent charge is shifted to the shareholder-level.

Depending on the circumstances, a tax preference may exist for taxpayers to attach a label to a debt or share instrument that differs from the underlying substance. As a result, these instruments are often treated as preference shares for tax purposes with the same instruments treated as debt for accounting purposes. Similarly, an instrument can be treated as debt for tax purposes while being treated as shares for accounting purposes. This tax/accounting arbitrage offers many benefits depending on the circumstances.

B. Benefits of excessive debt finance

The main tax benefit of debt versus shares focuses on the deductibility of payments by the payor. Large deductible interest payments can significantly reduce corporate taxes (unlike non-deductible dividends). The deductible nature of interest payments creates a strong incentive for excessive debt. A common trigger for excessive debt is a leverage buyout acquisition with purchasers using debt to acquire a target business (much of which carries a subordinated or junior ranking) based on the target business as security.

As a theoretical matter, deductible interest should be matched by corresponding ordinary income in the hands of the creditor. Hence, debt should act as mere shift in the tax burden. However, in many aggressive schemes, interest income is earned by exempt parties (or ultimately shifted by taxable creditors to exempt parties). This shift is hard to control and represents a significant threat to the tax base.

Excessive debt also creates commercial problems, thereby raising concerns that a tax preference in this direction should not be supported. A company with excessive debt becomes extremely vulnerable to economic conditions, lacking economic reserves during downturns. An economy full of companies with excessive debt can create a "domino effect" of insolvencies that threatens the economy as a whole. Time-and-again history has shown that excessively indebted parties are at the centre of serious economic downturns.

C. Benefits of share finance

While most taxpayers seeking finance prefer deductible interest in tax terms, some taxpayers seeking finance have no ready tax use for these deductions. These taxpayers may already be in a significant loss position or may be acting as start-up operations that lack significant income at the initial stages. In these circumstances, share-finance offers the benefit of lower charges for the financier (i.e. a 10 per cent or even a zero per cent charge). This lower charge for the financier is then shared with the debtor in the form of lower interest rates.

D. Combined debt/equity schemes

The seeming freedom of taxpayers to characterise finance instruments as debt or as shares for tax purposes means that taxpayers can choose the best of both worlds depending on the finance deal involved. Moreover, the freedom to lean in favour of one form or another in a single deal can only destabilise the tax base still further.

A prime example of this concern involves “funnel schemes” identified several years ago. In these schemes, an intra-group debt is outsourced to seemingly independent third parties, thereby triggering excessive deductions for the financed party. The funds at issue are then indirectly employed to acquire tax-free preference shares that have the commercial features of debt. The net result is a round-tripping of funds to the detriment of the tax base.

III. Role of section 45 intra-group rollover relief

Section 45 intra-group rollover relief was primarily intended to facilitate transfers amongst member companies historically operating together in a single group. When the capital gains tax was being formulated, it was alleged that relief was required to facilitate recurring asset transfers between group companies funded by intra-group loan accounts. The goal of section 45 was to ensure that the tax system did not pose a barrier to intra-group transfers, regardless of whether the transfer occurs in exchange for shares, debt or cash or as a dividend. It should further be noted that intra-group relief is a common feature of most advanced tax systems.

Unfortunately, the history of section 45 has taken a vastly different course. Section 45 has instead become a key acquisition tool. A common use of section 45 involves debt push-down structures. In structures of this nature, section 45 allows for the tax-free movement of target company assets so that these assets can be freely placed in a location where substantial interest deductions can be applied against operating target company income. In essence, section 45 becomes the trigger for connecting excessive debt. Still worse, in the case of funnel schemes, section 45 allows for debt proceeds to be indirectly linked to tax-free preference share dividends. While debt/share concerns exist outside the context of section 45, section 45 greatly facilitates the use of excessive debt schemes.

IV. Proposals

A. Section 45 hiatus

As stated at the outset, section 45 rollover relief will be wholly suspended for a period of approximately 18 months. During this period, the continued need for this relief will be re-evaluated along with concerns relating to excessive debt. The proposed amendment will apply in respect of any asset disposed of on or after 2 June 2011 but before the close of 31 December 2012.

B. Third-party backed preference shares

As a secondary measure, dividends in respect of shares backed by third parties will be treated as ordinary revenue. This ordinary revenue treatment will cover various forms of third-party backing, all of which will apply without regard to any three year or other timing requirements. These anti-avoidance measures are intended to become a permanent feature of the tax landscape with a narrow escape hatch for commercial circumstances that do not pose a potential risk for the tax base.

IV. Review required for inter-connected areas

As illustrated above, section 45 cannot be viewed in isolation. The issues relating to Section 45 are part of a larger set of problems. These problems include:

- The free use of excessive debt to eliminate substantial amounts of operating income for an extended duration;
- The seeming freedom to recharacterise shares as debt (or debt as shares) with little regard for accounting and commercial concepts;
- Excessive tax losses available in the tax system and the potential to move losses amongst entities if a viable business purpose can be asserted;
- The need for section 45 within an intra-group context as well as the need for the movement of losses within a single domestic group; and
- The need to allow for interest deductions stemming from leveraged buyouts, regardless of the form of that acquisition.

These rules will become the object of urgent investigation for legislation starting in 2012.

RATES AND THRESHOLDS ANNEXURE B

Table I: Current rates for individuals and special trusts:

Taxable income	Rate of tax
Not exceeding R140 000	18 per cent of the taxable income
Exceeding R140 000 but not exceeding R221 000	R25 200 plus 25 per cent of amount by which taxable income exceeds R140 000
Exceeding R221 000 but not exceeding R305 000	R45 450 plus 30 per cent of amount by which taxable income exceeds R221 000
Exceeding R305 000 but not exceeding R431 000	R70 650 plus 35 per cent of amount by which taxable income exceeds R305 000
Exceeding R431 000 but not exceeding R552 000	R114 750 plus 38 per cent of amount by which taxable income exceeds R431 000
Exceeds R552 000	R160 730 plus 40 per cent of amount by which taxable income exceeds R552 000

Table II: Proposed rates for individuals and special trusts:

Taxable income	Rate of tax
Not exceeding R150 000	18 per cent of taxable income
Exceeding R150 000 but not exceeding R235 000	R27 000 plus 25 per cent of amount by which taxable income exceeds R150 000
Exceeding R235 000 but not exceeding R325 000	R48 250 plus 30 per cent of amount by which taxable income exceeds R235 000
Exceeding R325 000 but not exceeding R455 000	R75 250 plus 35 per cent of amount by which taxable income exceeds R325 000
Exceeding R455 000 but not exceeding R580 000	R120 750 plus 38 per cent of amount by which taxable income exceeds R455 000
Exceeds R580 000	R168 250 plus 40 per cent of amount by which taxable income exceeds R580 000

Table III: Current rate for trusts (no change proposed):

Taxable Income	Rate of Tax
All taxable income	40 per cent of the taxable income

Table IV: Current rate for companies (no change proposed):

Taxable Income	Rate of Tax
All taxable income	28 per cent of the taxable income

Table V: Current rates for small business corporations:

Taxable Income	Rate of Tax
Not exceeding R54 200	0 per cent of taxable income
Exceeding R54 200 but not exceeding R300 000	10 per cent of the amount by which the taxable income exceeds R54 200
Exceeding R300 000	R24 580 plus 28 per cent of the amount by which the taxable income exceeds R300 000

Table VI: Proposed rates for small business corporations

Taxable income	Rate of tax
Not exceeding R59 750	0 per cent of taxable income
Exceeding R59 750 but not exceeding R300 000	10 per cent of amount by which taxable income exceeds R59 750
Exceeding R300 000	R24 025 plus 28 per cent of amount by which taxable income exceeds R300 000

Table VII: Current rates for registered micro businesses:

Taxable turnover	Rate of tax
Not exceeding R100 000	0 per cent of taxable turnover
Exceeding R100 000 but not exceeding R300 000	R1 per cent of amount by which taxable turnover exceeds R100 000
Exceeding R300 000 but not exceeding R500 000	R2 000 plus 3 per cent of amount by which taxable turnover exceeds R300 000
Exceeding R500 000 but not exceeding R750 000	R8 000 plus 5 per cent of amount by which taxable turnover exceeds R500 000
Exceeds R750 000	R20 500 plus 7 per cent of amount by which taxable turnover exceeds R750 000

Table VIII: Proposed rates for registered micro businesses

Taxable turnover	Rate of tax
Not exceeding R150 000	0 per cent of taxable turnover
Exceeding R150 000 but not exceeding R300 000	1 per cent of amount by which taxable turnover exceeds R150 000
Exceeding R300 000 but not exceeding R500 000	R1 500 plus 2 per cent of amount by which taxable turnover exceeds R300 000
Exceeding R500 000 but not exceeding R750 000	R5 500 plus 4 per cent of amount by which taxable turnover exceeds R500 000
Exceeding R750 000	R15 500 plus 6 per cent of amount by which taxable turnover exceeds R750 000

Table IX: Current rates for gold mining companies (no change proposed):

Taxable Income	Rate of Tax
On gold mining taxable income	See formula in paragraph 4*(b)* of Appendix I
On non gold mining taxable income	28 per cent of the taxable income
On non gold mining taxable income if exempt from STC	35 per cent of the taxable income
On recovery of capital expenditure	Greater of average rate or 28 per cent of the taxable income

Table X: Current rate for PBO's, companies and trusts (no change proposed):

Taxable Income	Rate of Tax
All taxable income	28 per cent of the taxable income

Table XI: Current rate for company personal service providers (no change proposed):

Taxable Income	Rate of Tax
All taxable income	33 per cent of taxable income

Table XII: Current rates for long-term insurance companies (no change proposed):

Taxable Income	Rate of Tax
Taxable income of individual policyholder fund	30 per cent of taxable income
Taxable income of company policyholder fund	28 per cent of taxable income
Taxable income of corporate fund	28 per cent of taxable income

Table XIII: Current rate for non-resident companies (no change proposed):

Taxable Income	Rate of Tax
All taxable income from South African source	33 per cent of taxable income

Table XIV: Current rates for retirement lump sum withdrawal benefits:

Taxable income from benefits	Rate of tax
Not exceeding R22 500	0 per cent of taxable income
Exceeding R22 500 but not exceeding R600 000	18 per cent of taxable income exceeding R22 500
Exceeding R600 000 but not exceeding R900 000	R103 950 plus 27 per cent of taxable income exceeding R600 000
Exceeding R900 000	R184 950 plus 36 per cent of taxable income exceeding R900 000

Table XV: Proposed retirement fund lump sum withdrawal benefits:

Taxable income from lump sum benefits	**Rate of tax**
Not exceeding R22 500	0 per cent of taxable income
Exceeding R22 500 but not exceeding R600 000	18 per cent of taxable income exceeding R22 500

Exceeding R600 000 but not exceeding R900 000	R103 950 plus 27 per cent of taxable income exceeding R600 000
Exceeding R900 000	R184 950 plus 36 per cent of taxable income exceeding R900 000

Table XVI: Current rates for retirement lump sum benefits:

Taxable income from benefits	Rate of tax
Not exceeding R300 000	0 per cent of taxable income
Exceeding R300 000 but not exceeding R600 000	R0 plus 18 per cent of taxable income exceeding R300 000
Exceeding R600 000 but not exceeding R900 000	R54 000 plus 27 per cent of taxable income exceeding R600 000
Exceeding R900 000	R135 000 plus 36 per cent of taxable income exceeding R900 000

Table XVII: Proposed retirement lump sum benefits

Taxable income from lump sum benefits	**Rate of tax**
Not exceeding R315 000	0 per cent of taxable income
Exceeding R315 000 but not exceeding R630 000	R0 plus 18 per cent of taxable income exceeding R315 000
Exceeding R630 000 but not exceeding R945 000	R56 700 plus 27 per cent of taxable income exceeding R630 000
Exceeding R945 000	R141 750 plus 36 per cent of taxable income exceeding R945 000

Table XVIII: Current rebates

Description	Amount
Primary rebate	R10 260
Secondary rebate	R5 675

Table XIX: Proposed rebates

Description	**Reference to Income Tax Act, 1962**	**Amount**
Primary rebate	Section 6(2)(a)	R10 755
Secondary rebate	Section 6(2)(b)	R6 012
Tertiary rebate	Section 6(2)(c)	R2 000

Table XX: General savings thresholds

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amount
Broad-based employee share schemes		
Maximum exemption for shares received by an employee in terms of a broad-based employee share plan	Definition of "qualifying equity share" in section 8B(3)	R50 000
Maximum deduction for shares issued by an employer in terms of a broad-based employee share plan	The proviso to section 11(lA)	R10 000
Exemption for interest and certain dividends		
Exemption for foreign dividends and interest from a source outside the Republic which are not otherwise exempt	Section 10(1)(i)(xv)(aa)	R3 700
In respect of persons 65 years or older, exemption for interest from a source within the Republic and dividends (other than foreign dividends) which are not otherwise exempt	Section 10(1)(i)(xv)(bb)(A)	R33 000
In respect of persons younger than 65 years, exemption for interest from a source within the Republic and dividends (other than foreign dividends) which are not otherwise exempt	Section 10(1)(i)(xv)(bb)(B)	R22 800
Annual donations tax exemption		
Exemption for donations made by entities	Section 56(2)(a) and the proviso thereto	R10 000
Exemption for donations made by individuals	Section 56(2)(b)	R100 000
Capital gains exclusions		
Annual exclusion for individuals and special trusts	Paragraph 5(1) of Eighth Schedule	R20 000
Exclusion on death	Paragraph 5(2) of Eighth Schedule	R200 000
Exclusion in respect of disposal of primary residence (based on amount of capital gain or loss on disposal)	Paragraph 45(1)(a) of Eighth Schedule	R1,5 million
Exclusion in respect of disposal of primary residence (based on amount of proceeds on disposal)	Paragraph 45(1)(b) of Eighth Schedule	R2 million
Maximum market value of all assets allowed within definition of small business on disposal when person over 55	Definition of "small business" in paragraph 57(1) of Eighth Schedule	R5 million
Exclusion amount on disposal of small business when person over 55	Paragraph 57(3) of Eighth Schedule	R900 000

Table XXI: Retirement savings thresholds

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amount
Deductible retirement fund contributions		
Pension fund monetary ceiling for contributions	Proviso to section 11(k)(i)	R1 750
Pension fund monetary ceiling for arrear contributions	Paragraph (aa) of proviso to section 11(k)(ii)	R1 800
Retirement annuity fund monetary ceiling for contributions (if also a member of a pension fund)	Section 11(n)(aa)(B)	R3 500
Retirement annuity fund monetary ceiling for contributions (if not a member of a pension fund)	Section 11(n)(aa)(C)	R1 750
Retirement annuity fund monetary ceiling for arrear contributions	Section 11(n)(bb)	R1 800
Permissible lump sum withdrawals upon retirement		
Pension fund monetary amount for permissible lump sum withdrawals	Paragraph (ii)(dd) of proviso to paragraph (c) of definition of "pension fund" in section 1	R50 000
Retirement annuity fund monetary amount for permissible lump sum withdrawals	Paragraph (b)(ii) of proviso to definition of "retirement annuity fund" in section 1	R50 000

Table XXII: Deductible business expenses for individuals

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amounts
Car allowance		
Ceiling on vehicle cost	Section 8(1)(b)(iiiA)(bb)(A)	R480 000
Ceiling on debt relating to vehicle cost	Section 8(1)(b)(iiiA)(bb)(B)	R480 000

Table XXIII: Employment-related fringe benefits

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amounts
Exempt scholarships and bursaries		
Annual ceiling for employees	Paragraph (ii)(aa) of proviso to section 10(1)(q)	R100 000
Annual ceiling for employee relatives	Paragraph (ii)(bb) of proviso to section 10(1)(q)	R10 000
Exempt termination benefits	Section 10(1)(x)	R30 000

Medical scheme contributions		
Monthly ceiling for schemes with one beneficiary	Section 18(2)(c)(i)(aa) and paragraph 12A(1)(a) of Seventh Schedule	R720
Monthly ceiling for schemes with two beneficiaries	Section 18(2)(c)(i)(bb) and paragraph 12A(1)(b) of Seventh Schedule	R1 440
Additional monthly ceiling for each additional beneficiary	Section 18(2)(c)(i)(cc) and paragraph 12A(1)(c) of Seventh Schedule	R440
Awards for bravery and long service	Paragraphs (a) and (b) of further proviso to paragraph 5(2) of Seventh Schedule	R5 000
Employee accommodation	Paragraph 9(3)(a)(ii) of Seventh Schedule	R59 750
Accommodation for expatriate employees	Paragraph 9(7B)(ii) of Seventh Schedule	R25 000
Exemption for de minimis employee loans	Paragraph 11(4)(a) of Seventh Schedule	R3 000
Additional employer deductions for learnerships		
Monetary ceiling of additional deduction for the employer when utilising a learnership agreement with an employee	Section 12H(2)	R30 000
Monetary ceiling of additional deduction for the employer in the case of an employee completing a learnership agreement	Section 12H(3) and (4)	R30 000
Monetary ceiling of additional deduction for the employer involving a learnership agreement with an employee with a disability	Section 12H(5)	R20 000

Table XXIV: Depreciation

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amounts
Small-scale intellectual property	Paragraph (aa) of proviso to section 11(gC)	R5 000
Urban Development Zone incentive	Section 13quat(10A)	R5 million

Table XXV: Miscellaneous

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amounts
Low-cost housing		

Maximum cost of residential unit where that residential unit is an apartment in a building	Paragraph (a) of definition of "low-cost residential unit" in section 1	R250 000
Maximum cost of residential unit where that residential unit is a building	Paragraph (b) of definition of "low-cost residential unit" in section 1	R200 000
Industrial policy projects		
Maximum additional investment allowance in the case of greenfield projects with preferred status	Section 12I(3)(a)	R900 million
Maximum additional investment allowance in the case of other greenfield projects	Section 12I(3)(a)	R550 million
Maximum additional investment allowance in the case of brownfield projects with preferred status	Section 12I(3)(b)	R550 million
Maximum additional investment allowance in the case of other brownfield projects	Section 12I(3)(b)	R350 million
Maximum additional training allowance (per employee)	Section 12I(5)(a)	R36 000
Maximum additional training allowance in the case of industrial policy projects with preferred status	Section 12I(5)(b)(i)	R30 million
Maximum additional training allowance in the case of other industrial policy projects	Section 12I(5)(b)(ii)	R20 million
Minimum cost of manufacturing assets for greenfield projects	Section 12I(7)(a)(i)(aa)	R200 million
Amounts to be taken into account in determining whether an industrial project constitutes a brownfield project	Section 12I(7)(a)(i)(bb)(A) Section 12I(7)(a)(i)(bb)(B)	R30 million R200 million
Venture capital companies		
After 36 months, at least 80 per cent of the expenditure incurred by a venture capital company must be incurred in respect of qualifying shares in a junior mining company, with assets of which the book value does not exceed the amount indicated immediately after the issue	Section 12J(6A)(b)(i)	R300 million
After 36 months, at least 80 per cent of the expenditure incurred by a venture capital company must be incurred in respect of qualifying shares in a company, other than a junior mining company, with assets of which the book value does not exceed the amount indicated	Section 12J(6A)(b)(ii)	R20 million
Presumptive turnover tax		
A person qualifies as a micro business for a year of assessment where the qualifying turnover of that person for that year does not exceed the amount indicated	Paragraph 2(1) of Sixth Schedule	R1 million
Maximum of total receipts from disposal of immovable property and assets of a capital nature by micro business	Paragraph 3(e) of Sixth Schedule	R1,5 million

Minimum value of individual assets and liabilities in respect of which a micro business is required to retain records	Paragraphs 14(c) and (d) of Sixth Schedule	R10 000
Public benefit organisations		
PBO trading income exemption	Section 10(1)(cN)(ii)(dd)(ii)	R200 000
Deduction of donations to transfrontier parks	Section 18A(1C)(a)(ii)	R1 million
Housing provided by a PBO: maximum monthly income of beneficiary household	Paragraph 3(a) of Part I of Ninth Schedule and paragraph 5(a) of Part II of Ninth Schedule	R7 500
Recreational clubs		
Club trading income exemption	Section 10(1)(cO)(iv)(bb)	R120 000
Prepaid expenses		
Maximum amount of deferral	Paragraph (bb) of proviso to section 23H(1)	R80 000
Small business corporations		
Maximum gross income	Section 12E(4)(a)(i)	R14 million
Housing associations		
Investment income exemption	Section 10(1)(e)	R50 000

Table XXVI: Administration (Taxation Laws Second Amendment Bill)

Description (The contents of this column are solely for convenience and shall be of no force or effect)	Reference to Income Tax Act, 1962	Monetary amounts
Investment income exempt from provisional tax		
In the case of natural persons below age 65	Paragraph 18(1)(c)(ii) of Fourth Schedule	R20 000
In the case of natural persons over age 65	Paragraph 18(1)(d)(i) of Fourth Schedule	R120 000
S.I.T.E. threshold	Items (a) and (b) of paragraph 11B(2) and items (a), (b)(ii) and (b)(iii) of paragraph 11B(3) of Fourth Schedule	R60 000
Threshold in respect of automatic appeal to High Court	Section 83(4B)(a)	R50 million

Table XXVII: Value Added Tax: Monetary thresholds subject to periodic legislative change

Description (The contents of this column are solely for convenience and are of no force or effect)	Reference to Value-Added Tax Act, 1991	Monetary amount
Registration		
-Compulsory	Section 23(1)(a)	R1 million

-Voluntary	Section 23(3)(b), (c) and (d)	R50 000
-Commercial accommodation	Paragraph (a) of definition of 'commercial accommodation' in section 1	R60 000
-Payments basis of VAT registration	Section 15(2)(b)(i)	R2,5 million
-Exception to payments basis : in respect of supplies of goods or services made by a vendor	Section 15(2A)	R100 000
Tax invoices		
-Abridged tax invoice	Section 20(5)	R3 000
-No tax invoice required	Section 20(6)	R50
Tax periods		
- Category C (monthly) submission of VAT 201 return	Section 27(3)(a)(i)	R30 million
-Category D (6-monthly) submission of VAT 201 return	Section 27(4)(c)(i)	R1,5 million
-Category F (4-monthly) submission of VAT 201 return	Section 27(4B)(a)(i)	R1,5 million

Table XXVIII: Transfer Duty: Imposition

Value	Rate of Tax
Does not exceed R600 000	0%
Exceeding R600 000 but not exceeding R1 million	3% on such value
Between R1.0 million and R1.5 million	5% of such value plus R12 000
Exceeds R1.5 million	8% on such value plus R37 000

Table XXIX: Diamond Export Levy: Rate and Exemptions

Exemption from levy (Levy not applicable in following instances)	Applicable levy
	5% of gross sales
Large producers	
-40% of the producer's gross sales must be to South African diamond beneficiators, and	
-total gross sales must exceed R3 billion	
Medium producers	
-15% of the producer's gross sales must be to South African diamond beneficiators, and	
-total gross sales exceeds R20 million but does not exceed R3 billion	

Small producers	
-total gross sales does not exceed R20 million	

Table XXX: Royalty Act: Rate and Exemption

Royalty formulae	Rate
-Refined: 0.5 +[EBIT / (gross sales x 12.5)] x100	Cannot exceed 5%
-Unrefined: 0.5 + [EBIT / (gross sales x 9)] x 100	Cannot exceed 7%
Exemption for small business	
-Gross sales of extractor does not exceed R20 million	

Table XXXI: Estate Duty: Rates, thresholds and abatement

Description	Rate / Amount
Imposition of estate duty	20% of the dutiable amount of the estate
Reduction of duty payable	
Reduced as follows of the second dying dies within 10 years of the first dying:	
- 2 years	100%
- 2-4 years	80%
- 4-6 years	60%
- 6-8 years	40%
- 8-10 years	20%
Exemption	
Abatement	R3.5 million