### INCOME TAX: INDIVIDUALS AND TRUSTS

#### Tax rates from 1 March 2020 to 28 February 2021:

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 205 000</td>
<td>18% of taxable income</td>
</tr>
<tr>
<td>205 001 - 321 000</td>
<td>28.52% of taxable income above 205 000</td>
</tr>
<tr>
<td>321 001 - 445 100</td>
<td>445 101 - 584 200: 34.3% of taxable income above 321 000</td>
</tr>
<tr>
<td>584 201 - 744 800</td>
<td>31% of taxable income above 584 200</td>
</tr>
<tr>
<td>744 801 - 1 577 300</td>
<td>26.4% of taxable income above 744 800</td>
</tr>
<tr>
<td>1 577 301 and above</td>
<td>45% of taxable income above 1 577 300</td>
</tr>
</tbody>
</table>

#### Trusts other than special trusts: rate of tax 45%

### Rebates
- **Primary (Persons 65 and older)**: R14 958
- **Secondary (Persons 65 and older)**: R8 199
- **Tertiary (Persons 75 and older)**: R2 736

### Age Tax Threshold
- **Below age 65**: R83 100
- **Age 65 to below 75**: R128 650
- **Age 75 and older**: R143 850

### Provisional Tax

A provisional taxpayer is any person who earns income by way of a commission, from an unregistered employer, or income that is not remuneration, or an allowance or advance payable by the person’s principal. An individual is not required to pay provisional tax if he or she does not carry on any business, and the individual’s taxable income:

- Will not exceed the tax threshold for the tax year;
- Or from interest, dividends, foreign dividends, rental income for the year of assessment are required from an unregistered employer will be R30 000 or less for the tax year.

Provisional tax returns showing an estimation of total taxable income for the year of assessment are required from provisional taxpayers.

Deceased estates are not provisional taxpayers.

#### 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>1 - 20 000</td>
<td>0% of taxable income</td>
</tr>
<tr>
<td>20 001 - 60 000</td>
<td>18% of taxable income above 20 000</td>
</tr>
<tr>
<td>60 001 - 90 000</td>
<td>90 001 and above: 40% of taxable income above 60 000</td>
</tr>
</tbody>
</table>

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident preservation or retirement annuity fund on withdrawal (excluding assignment in terms of a divorce order).

Tax on a specific retirement fund lump sum withdrawal benefit (lump sum X) is equal to:

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

#### Dividends

Dividends received by individuals from South African companies are generally exempt from income tax, but dividends tax, at a rate of 20%, is withheld by the entities paying the dividends to the individuals. Dividends received by South African resident individuals from REIs (listed and regulated property owning companies) are subject to income tax, and non-residents in receipt of those dividends are only subject to dividends tax.

#### Foreign Dividends

Most foreign dividends received by individuals from foreign companies (more than 10% of income by identical company) are taxable at a maximum effective rate of 20%.

No deductions are allowed for expenditure to 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 income tax.**
- **Interest earned by non-residents, who are physically absent from South Africa for at least 183 days during the 12 months period, before the interest accrues and the interest bearing debt is not effectively connected to a fixed place of business in South Africa, is exempt from income tax.**

#### Medical and disability expenses

#### Deductions

- **Retirement fund contributions:**

  Amounts contributed to pension, provident and retirement annuity funds during a year of assessment are deductible by members of those funds. Amounts contributed by employed and taxed as fringe benefits are treated as contributions by the individual employees. The deduction is limited to 27.5% of the greater of the amount of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sum withdrawal benefits). The deduction is further limited to the lower of R350 000 or 27.5% of taxable income before the inclusion of a taxable capital gain. Any contributions exceeding the limitations are carried forward to the immediately following year of assessment and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sum and retirement annuities.

- **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) by the individual who paid the contributions up to R319 for each of the first two persons covered by those medical schemes, and R215 for each additional dependant; and
  - In the case of:
    - an individual who is 65 years and older, or if an individual, his or her spouse, or his or her child is a person with a disability, 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 three times the medical scheme fees tax credits for the tax year; or
    - any other individual, 25% of an amount equal to the sum of the qualifying medical expenses paid and borne by the individual, and an amount by which medical scheme contributions paid by the individual exceed four 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 sum 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 sum 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 of South Africa, and the allowance or advance is granted to pay for:

- Meal and incidental costs, an amount of R452 per day is deemed to have been expended
- Incidental costs only, an amount of R139 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 of South Africa, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices.

**Travelling allowance**

Rates per kilometre, which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determined using the table published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Fixing of rate per kilometre in respect of motor vehicles.

**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 employer 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 an allowance or advance is based on the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee, up to the rate published on the SARS website www.sars.gov.za, under Legal Counsel / Secondary Legislation / Income Tax Notices / Fixing of rate per kilometre in respect of motor vehicles, regardless of the value of the vehicle.

However, 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) of each vehicle per month.
- 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 (minus 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 traveled 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 value of the fringe benefit to be included in gross income is the lower of the benefit calculated by applying a prescribed formula, or the cost to the employer if the employer does not have full ownership of the accommodation.

The formula will apply if the accommodation is owned by the employee, but it does not apply to holiday accommodation hired by the employer from non-associated institutions.

INCOME TAX: COMPANIES

Financial years ending on any date between 1 April 2020 and 31 March 2021

<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 2020 and 31 March 2021

<table>
<thead>
<tr>
<th>Taxable Income (R)</th>
<th>Rate of Tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 63 100</td>
<td>1% of taxable income</td>
</tr>
<tr>
<td>63 101 - 93 000</td>
<td>5% of taxable income above 63 100</td>
</tr>
<tr>
<td>93 001 – 150 000</td>
<td>18 733 + 21% of taxable income above 93 000</td>
</tr>
<tr>
<td>150 001 and above</td>
<td>15 183 + 28% of the amount above 150 000</td>
</tr>
</tbody>
</table>

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 March 2020 and 28 February 2021

<table>
<thead>
<tr>
<th>Taxable turnover (R)</th>
<th>Rate of tax (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 10 000</td>
<td>1% of taxable turnover</td>
</tr>
<tr>
<td>10 001 – 50 000</td>
<td>1% of taxable turnover above 10 000</td>
</tr>
<tr>
<td>50 001 – 750 000</td>
<td>1 050 + 2% of taxable turnover above 50 000</td>
</tr>
<tr>
<td>750 001 and above</td>
<td>1 500 + 3% 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, trusts and estates.

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: 18%
- Companies: 22.4%
- Other trusts: 36%

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 R40 000 capital gain, or capital loss is granted to individuals and special trusts
- Small business exclusion of capital gains of R1.8 million for individuals (at least 55 years of age), 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 on dividends at a rate of 20%, paid by resident companies and 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 registrado in respect 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 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. 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 7.5% for a non-resident individual, 10% for a non-resident company, and 15% 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 15% 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 R500,000, 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>Transfer duty rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 100 000</td>
<td>0%</td>
</tr>
<tr>
<td>101 001 – 1 500 000</td>
<td>1.5% of the value above R1 000 000</td>
</tr>
<tr>
<td>1 501 001 – 2 500 000</td>
<td>1.95% of the value above R1 500 000</td>
</tr>
<tr>
<td>2 501 001 – 3 000 000</td>
<td>2.475% of the value above R2 500 000</td>
</tr>
<tr>
<td>3 001 001 and above</td>
<td>3% of the value exceeding R3 000 000</td>
</tr>
</tbody>
</table>

### Estate Duty

Estate duty is levied on the property of residents and the South African property of non-residents less allowable deductions. The duty is levied on the dutiable value of an estate, at a rate of 20%, on the first R30 million, and at a rate of 25% above R30 million.

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 cumulative value of property donated not exceeding R30 million, and at a rate of 25% on the cumulative value exceeding R30 million.
- 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, 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% 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 eSwatini, 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 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 the employers’ remuneration below a certain amount.

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

### SARS INTEREST RATES

<table>
<thead>
<tr>
<th>Rate of Interest (from 1 February 2020)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>fringe benefits – interest-free or low-interest loan (official rate)</td>
<td>7.25% p.a.</td>
</tr>
<tr>
<td>Rates of interest (from 1 November 2019)</td>
<td>Rate</td>
</tr>
<tr>
<td>Late or underpayment of tax</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Refund of unpaid provisional tax</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Refund of tax on successful appeal or where the appeal was withdrawn by SARS</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Refund of VAT after prescribed period</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Late payment of VAT</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>Customs and Excise</td>
<td>10% p.a.</td>
</tr>
</tbody>
</table>

### General fuel levy

Increases excise duties on tobacco and alcohol

| Allowable contributions to tax free savings accounts increase to R36 000 per annum |
| Plastic bag levy increases to 25 cents per bag |

### Inflation adjustments to transfer duty rate structure

No transfer duty is payable on the purchase of property up to a value of R1 million.