



Budget Tax Guide 2007/8

A guide to how the 2007/8 Budget affects you

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What's in the Budget for you?

Tax relief for everyone!

Individuals

↓ Income tax on individuals is reduced by R8,4 billion

This means that an individual younger than 65 years of age earning–

- R43 000 or less pays no income tax
- R60 000 pays tax equal to an average rate of 5 per cent of the earnings and saves R540 tax a year
- R150 000 pays tax equal to an average rate of 15 per cent of the earnings and saves R1 415 tax a year
- R450 000 pays tax equal to an average rate of 27 per cent of the earnings and saves R6 415 tax a year

↓ Abolition of retirement fund tax

From 1 March 2007 no tax will be imposed on the interest or rental income of retirement funds

↓ Wage subsidy and social security tax reform

A wage subsidy is to be introduced by 2010 to help alleviate the high rate of unemployment among the youth and to facilitate social security reform

↓ Increased exemption for interest income and distributions from unit trusts

The annual exemption for individuals younger than 65 years of age is raised from R16 500 to R18 000. The exemption for individuals 65 years of age and older is raised from R24 500 to R26 000

This means that–

- A 40 year old individual investing R225 000 in a savings account at 8 per cent interest per annum is not taxed on the interest income of R18 000
- A pensioner and the pensioner's spouse (both older than 65) each invests R300 000 (in total R600 000) and earn interest of 8.5 per cent per annum. They will not pay tax on the combined interest income of R51 000 earned during the tax year

↓ Increased tax-free medical scheme contributions

From March 2007 the monthly contributions to medical schemes which are tax exempt or tax deductible are increased.

The amounts for a member of a medical scheme and the first dependant are increased from R500 to R530 each and the amount for each additional dependant is increased from R300 to R320

↓ Reduced estate duty and donations tax liability

The basic exemption for estate duty is adjusted from R2,5 million to R3,5 million for individuals from 1 March 2007

↓ Increased donations tax exemption

The annual exemption for donations tax is adjusted from R50 000 to R100 000 per annum

↓ Increased deduction for donations to Public Benefit Organisations

The annual deduction for donations to PBOs is increased to 10 per cent (previously 5 per cent) of taxable income

↑ Excise tax is increased as follows:

- Malt beer – 5c per 340ml can
- Wine – 13c per 750 ml bottle
- Spirits – R1,88 per 750ml bottle
- Cigarettes – 60c per packet of 20

↓ Eliminate *ad valorem* excise duties on dish washing machines, sunglasses, certain cameras and projectors

↑ Fuel levy and Road Accident Fund levy increased

On 4 April 2007 the fuel levy will be increased by 5 cents per litre of fuel and the Road Accident Fund levy will also be increased by 5 cents per litre

INCOME TAX: INDIVIDUALS AND TRUSTS

Tax rates (year of assessment ending 29 February 2008)

Individuals and special trusts

Taxable Income (R)	Rates of Tax (R)
0 - 112 500	18% of each R1
112 501 - 180 000	20 250 + 25% of the amount above 112 500
180 001 - 250 000	37 125 + 30% of the amount above 180 000
250 001 - 350 000	58 125 + 35% of the amount above 250 000
350 001 - 450 000	93 125 + 38% of the amount above 350 000
450 001 and above	131 125 + 40% of the amount above 450 000

Trusts other than special trusts

Rate of Tax	40%
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Tax Rebates

Rebates	R
Primary	7 740
Additional (Persons 65 and older)	4 680

Tax Thresholds

Age	Tax Threshold (R)
Below age 65	43 000
Age 65 and over	69 000

Travelling allowance

Rates per kilometre which may be used in determining the allowable deduction for business-travel, where no records of actual costs are kept.

Value of the vehicle (including VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 - 40 000	15 364	47.3	22.5
40 001 - 60 000	20 910	49.4	26.2
60 001 - 80 000	25 979	49.4	26.2
80 001 - 100 000	31 513	54.8	30.5
100 001 - 120 000	36 978	54.8	30.5
120 001 - 140 000	41 771	54.8	30.5
140 001 - 160 000	47 512	57.2	39.8
160 001 - 180 000	52 629	57.2	39.8
180 001 - 200 000	58 334	65.9	43.8
200 001 - 220 000	64 591	65.9	43.8
220 001 - 240 000	69 072	65.9	43.8
240 001 - 260 000	74 777	65.9	43.8
260 001 - 280 000	79 918	69.3	52.5
280 001 - 300 000	85 440	69.3	52.5
300 001 - 320 000	88 793	69.3	52.5
320 001 - 340 000	95 218	69.3	52.5
340 001 - 360 000	100 011	77.1	68.0
exceeding 360 000	100 011	77.1	68.0

Income Tax: Companies

Financial years ending on any date between 1 April 2007 and 31 March 2008

Type	Rate of Tax
Companies	29%
Small business corporations	
R0 - R43 000	0%
R43 001 - R300 000	10%
R300 001 and above	29%
Employment companies	34%
Foreign resident companies which earn income from a source in South Africa	34%
Secondary tax on companies (STC) on dividends declared after being reduced by dividends receivable during a dividend cycle (South African branches of foreign resident companies are exempt from STC)	12,5% (10% from 1 Oct 2007)

TAXATION OF CAPITAL GAINS

Capital gains on the disposal of assets are included in taxable income. Maximum effective rate of tax:

Individuals	10%
Companies	14,5%
Trusts	20%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

OTHER TAXES DUTIES AND LEVIES

Transfer Duty

Transfer duty is payable at the following rate on transactions which are not subject to VAT -

Acquisition of property by natural persons:

Value of property (R)	Rate
0 - 500 000	0%
500 001 - 1 000 000	5% of the value above R500 000
1 000 001 and above	R25 000 + 8% of the value exceeding R1 000 000

Acquisition of property by persons other than natural persons:

8% of the value

Businesses



Dividend tax

From 1 October 2007 -

- Secondary Tax on Companies (STC) will be replaced with a dividend tax at company level
- The tax rate will be reduced from 12,5% to 10%
- The tax base will be broadened

The dividend tax will be converted from company to shareholder level as soon as certain international tax treaties have been renegotiated



Treat the sale of shares held for longer than 3 years as a capital gain/loss



Introduce the depreciation of commercial buildings over a period of 20 years



Change certain tax rules to ensure that BEE and other similar restructurings do not encounter undue tax costs



Allow donations to PBOs of up to 10 per cent (previously 5 per cent) of taxable income as a deduction



Exemption for stamp duty on lease agreements with a duration shorter than 5 years



Extend the scope of deductions for environmental expenditure



Release of draft legislation on the regulation of tax practitioners

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