![national treasury — Department: National Treasury, REPUBLIC OF SOUTH AFRICA]

MEDIA STATEMENT

13 March 2012

Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2012

The Rates and Monetary Amounts and Amendment of Revenue Laws Bill, 2012 (the Bill) was introduced in Parliament on 13 March 2012. Together with the rest of the taxation laws amendment bills for 2012, this legislation will give effect to the tax proposals announced by the Minister of Finance in the Budget Review 2012 (see Chapter 4 and Annexure C) tabled in Parliament on the 22nd of February 2012.

This legislation explains the changes that will be made to rates and amounts e.g. thresholds. Draft legislation containing the remaining tax policy proposals announced in 2012 will be released later this year.

This document may be obtained from the National Treasury (www.treasury.gov.za) or SARS (www.sars.gov.za) websites (Note: An Explanatory Memorandum is also published to assist in interpreting and understanding the above legislation at a more detailed level).

Provided below are the highlights contained in the Bill.

1. Changes relating to Personal Income Tax:

   - The 2012 Budget proposes direct personal income tax relief to individuals amounting to R9.5 billion which is approximately R2 billion above inflation thereby granting real relief in respect of personal income tax. This includes increasing the primary, secondary and tertiary rebates which are available to natural persons.
   - The thresholds at which individuals become liable for personal income tax have also been increased.

Personal income tax rate and bracket adjustments, 2011/12 – 2012/13			
2011/12		**2012/13**	
Taxable income (R)	**Rates of tax**	**Taxable income (R)**	**Rates of tax**
R0 - R150 000	18% of each R1	R0 - R160 000	18% of each R1
R150 001 - R235 000	R27 000 + 25% of the amount above R150 000	R160 001 - R250 000	R28 800 + 25% of the amount above R160 000
R235 001 - R325 000	R48 250 + 30% of the amount above R235 000	R250 001 - R346 000	R51 300 + 30% of the amount above R250 000
R325 001 - R455 000	R75 250 + 35% of the amount above R325 000	R346 001 - R484 000	R80 100 + 35% of the amount above R346 000
R455 001 - R580 000	R120 750 + 38% of the amount above R455 000	R484 001 - R617 000	R128 400 + 38% of the amount above R484 000
R580 001	R168 250 + 40% of the amount above R580 000	R617 001	R178 940 + 40% of the amount above R617 000
Rebates		**Rebates**	
Primary	R10 755	Primary	R11 440
Secondary	R6 012	Secondary	R6 390
Tertiary	R2 000	Tertiary	R2 130
Tax threshold		**Tax threshold**	
Below age 65	R59 750	Below age 65	R63 556
Age 65 and over	R93 150	Age 65 and over	R99 056
Age 75 and over	R104 261	Age 75 and over	R110 889

2. The medical credit system will be implemented from 1 March 2012. It should be noted that the credits provided are higher than the credits which were initially proposed (see illustrative thresholds in table below) for individuals in respect of contributions made to a medical aid scheme.

Medical scheme contributions, 2011/12 – 2012/13

Description	Illustrative thresholds 2011/12	Proposed thresholds 2012/13
Medical scheme fees tax credit, in respect of benefits to the taxpayer	R216	R230
Medical scheme fees tax credit, in respect of benefits to the taxpayer and one dependant	R432	R460
Medical scheme fees tax credit, in respect of benefits to each additional dependant	R144	R154

3. *Increase in Capital Gains Tax Inclusion Rates*:

- Capital gains tax inclusion rates for "individuals and special trusts" have been increased to 33.3 per cent, thereby shifting their maximum effective capital gains tax rate to 13.3 per cent.
- The inclusion rate for other entities (companies and other trusts) will increase to 66.6 per cent, raising the effective rate for companies to 18.6 per cent and for most trusts to 26.7 per cent.

- The changes in the capital gains tax rate will generally apply in respect of capital gains occurring during years of assessment commencing on or after 1 March 2012.
- The increases mentioned above for capital gains tax have been offset by increases in the exclusions relating to capital gains tax. These exclusions and the increases thereof will generally assist the middle and lower income groups.

Proposed capital gains exclusions, 2011/12 – 2012/13

Description	Current thresholds 2011/12	Proposed thresholds 2012/13
Annual exclusion for individuals and special trusts	R20 000	R30 000
Exclusion on death	R200 000	R300 000
Exclusion in respect of disposal of primary residence (based on amount of capital gain or loss on disposal)	R1.5 million	R2 million
Maximum market value of all assets allowed within definition of small business on disposal when person over 55	R5 million	R10 million
Exclusion amount on disposal of small business when person over 55	R900 000	R1.8 million

- Long-term insurers: it should be noted that the unique nature of the four funds tax system requires special rules when applying the increased capital gains inclusion rates as from 1 March 2012. These special rules will be subject to a separate media release to be released shortly.

4. Dividends Withholding Tax: As indicated in the Budget Review, dividends tax will become effective from 1 April 2012 at a rate of 15 per cent. The following collateral adjustments are therefore required:

- Foreign companies with domestic income are subject to a 33 per cent rate of tax. It is proposed to reduce this rate to 28 per cent.
- Personal service providers are subject to a 33 per cent rate, which will be reduced to 28 per cent.
- Gold companies currently have the choice of two gold formula rates - the standard formula or the higher formula. With the repeal of the secondary tax on companies, the higher formula will be removed as superfluous.

5. In order to further promote small business growth in South Africa, the tax free threshold for small business corporations has been increased and further relief is provided in the second tax bracket for this group of businesses.

6. The increases in specific excise duties on tobacco products (between 5 and 8.2 per cent) and alcoholic beverages (between 6 and 20 per cent) will generate approximately R1.84 billion in additional tax revenue. The increases will complement broader efforts to reduce substance abuse.