

SUMMARY OF TAX PROPOSALS

Income tax on individuals

A single scale of rates for all individuals is proposed, reaching a maximum marginal rate of 45 per cent at a taxable income of R120 000. A primary rebate of R3 710 is granted to all individuals, with an additional rebate of R2 775 for individuals aged 65 years or older. The rates of tax in respect of natural persons for the 1998/99 tax year and the proposed rates for the 1999/00 tax year appear in table C.1.

The resulting reductions in tax liability is illustrated in tables C.2 and C.3.

Table C.1 Tax rates for natural persons

1998/99		1999/00	
Taxable income in rand	Rates of tax	Taxable income in rand	Rates of tax
0 – 31 000	19% of each R1	0 – 33 000	19% of each R1
31 001 – 46 000	R5 890 + 30% of the amount above 31 000	33 001 – 50 000	R6 270 + 30% of the amount above R33 000
46 001 – 60 000	R10 390 + 39% of the amount above 46 000	50 001 – 60 000	R11 370 + 35% of the amount above R50 000
60 001 – 70 000	R15 850 + 43% of the amount above 60 000	60 001 – 70 000	R14 870 + 40% of the amount above R60 000
70 001 – 120 000	R20 150 + 44% of the amount above 70 000	70 001 – 120 000	R18 870 + 44% of the amount above R70 000
120 001 and above	R42 150 + 45% of the amount above 120 000	120 001 and above	R40 870 + 45% of the amount above R120 000
Rebates of tax:		Rebates of tax:	
Primary	R3 515	Primary	R3 710
Age 65 and over (additional to primary rebate)	R2 660	Age 65 and over (additional to primary rebate)	R2 775
Tax threshold:		Tax threshold:	
Below age 65	R18 500	Below age 65	R19 526
Age 65 and over	R31 950	Age 65 and over	R33 717

Table C.2 Income tax payable 1999/00 (individuals younger than 65)

Taxable income	1998 rates	1999 rates	Tax reduction
19 000	95	0	95
20 000	285	90	195
21 000	475	280	195
22 000	665	470	195
23 000	855	660	195
24 000	1 045	850	195
25 000	1 235	1 040	195
26 000	1 425	1 230	195
27 000	1 615	1 420	195
28 000	1 805	1 610	195
29 000	1 995	1 800	195
30 000	2 185	1 990	195
35 000	3 575	3 160	415
40 000	5 075	4 660	415
45 000	6 575	6 160	415
50 000	8 435	7 660	775
55 000	10 385	9 410	975
60 000	12 335	11 160	1 175
65 000	14 485	13 160	1 325
70 000	16 635	15 160	1 475
80 000	21 035	19 560	1 475
90 000	25 435	23 960	1 475
100 000	29 835	28 360	1 475
120 000	38 635	37 160	1 475
150 000	52 135	50 660	1 475
200 000	74 635	73 160	1 475
300 000	119 635	118 160	1 475
400 000	164 635	163 160	1 475
500 000	209 635	208 160	1 475

Table C.3 Income tax payable 1999/00 (individuals 65 and over)

Taxable income	1998 rates	1999 rates	Tax reduction
32 000	15	0	15
33 000	315	0	315
34 000	615	85	530
35 000	915	385	530
40 000	2 415	1 885	530
45 000	3 915	3 385	530
50 000	5 775	4 885	890
55 000	7 725	6 635	1 090
60 000	9 675	8 385	1 290
65 000	11 825	10 385	1 440
70 000	13 975	12 385	1 590
80 000	18 375	16 785	1 590
90 000	22 775	21 185	1 590
100 000	27 175	25 585	1 590
120 000	35 975	34 385	1 590
150 000	49 475	47 885	1 590
200 000	71 975	70 385	1 590
300 000	116 975	115 385	1 590
400 000	163 335	161 975	1 590
500 000	209 040	206 975	1 590

Tax on Companies

Gold mining

It is proposed that the rate for gold mines which have elected not to be exempt from the payment of STC be reduced as follows:

- ◆ Formula tax rate from $y = 43 - (215 \div x)$ to $y = 37 - (185 \div x)$, where y equals the tax rate and x equals the profit ratio.

It is proposed that the rate for gold mines which have elected to be exempt from the payment of STC be reduced as follows:

- ◆ Non-mining income, from 42 per cent to 38 per cent.
- ◆ Formula tax rate from $y = 51 - (255 \div x)$ to $y = 46 - (230 \div x)$, where y equals the tax rate and x equals the profit ratio.

Long term insurers

It is proposed that the rate of normal tax applicable to the company policyholder fund and the corporate fund of an insurer be reduced from 35 per cent to 30 per cent.

Branches of foreign companies

The rate at which normal tax is payable by a branch or agency within the Republic of a company which has its place of effective management outside the Republic, is reduced from 40 per cent to 35 per cent.

Other companies

It is proposed that the rate of normal tax in respect all other companies be reduced from 35 per cent to 30 per cent.

Transfer duty

The rates of duty are amended as follows in respect of the acquisition of all property by natural persons on, or after, 1 April 1999:

- ◆ 1 per cent on the first R70 000.
- ◆ 5 per cent on R70 001 to R250 000.
- ◆ 8 per cent on amounts in excess of R250 000.

In addition to the changes in the rates, the exemptions in respect of the acquisition of property by natural persons are also increased as follows:

- ◆ In the case of the acquisition of a dwelling house or residential apartment held under a sectional title deed, the exemption is increased from R60 000 to R70 000.
- ◆ In the case of unimproved land acquired for the purpose of erecting a dwelling-house thereon, the exemption is increased from R24 000 to R30 000.

Stamp duty

It is proposed that stamp duty in respect of:

- ◆ Customs and excise documents be increased from 40 cents to 100 cents.
- ◆ Antenuptial or postnuptial contracts, duplicate originals, partnership agreements and power of attorneys be abolished,

with effect from 1 April 1999.

Marketable securities tax and uncertificated securities tax

It is proposed that the exemption of the Public Investment Commissioner granted in terms of the Marketable Securities Tax Act, 1948 and the Uncertificated Securities Tax Act, 1998 in respect of the purchase of shares, be withdrawn with immediate effect.

Domestic taxes on goods and services

Excise duties

It is proposed that the excise and customs duties in section A of Part 2 of Schedule No. 1 to the Customs and Excise Act, 1964, on the goods described below and classified under the tariff items or sub-items set out below, be amended with immediate effect (17 February 1999) to the extent shown in table C.4.

Table C.4 Specific excise duties

Tariff item	Tariff Heading	DESCRIPTION	Present rate of duty		Proposed rate of duty	
			Excise	Customs	Excise	Customs
104.00		PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO				
104.01	19.01	MALT EXTRACT; FOOD PREPARATIONS OF FLOUR, MEAL, STARCH OR MALT EXTRACT, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS, OF LESS THAN 50 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED; FOOD PREPARATIONS OF GOODS OF HEADINGS NOS. 04.01 TO 04.04, NOT CONTAINING COCOA POWDER OR CONTAINING COCOA POWDER IN A PROPORTION, BY MASS, OF LESS THAN 10 PER CENT, NOT ELSEWHERE SPECIFIED OR INCLUDED:				
.10		Preparations, based on sorghum flour, put up for making beverages	33c/kg	33c/kg	33c/kg	33c/kg
104.05	22.01	WATERS, INCLUDING NATURAL OR ARTIFICIAL				

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Tariff item	Tariff Heading	DESCRIPTION	Present rate of duty		Proposed rate of duty	
			Excise	Customs	Excise	Customs
		MINERAL WATERS AND AERATED WATERS, NOT CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER NOR FLAVOURED; ICE AND SNOW				
	22.02	WATERS, INCLUDING MINERAL WATERS AND AERATED WATERS, CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER OR FLAVOURED, AND OTHER NON-ALCOHOLIC BEVERAGES (EXCLUDING FRUIT OR VEGETABLE JUICES OF HEADING NO. 20.09):				
.10		Mineral waters, including spa waters and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	14,83c/l	15,98c/l	12,00c/l	12,00c/l
.20		Lemonade and flavoured mineral waters, including flavoured spa and aerated waters, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	14,83c/l	15,98c/l	12,00c/l	12,00c/l
.30		Non-alcoholic beverages not elsewhere specified or included in this tariff item, put up in closed bottles or other closed containers ready for drinking without dilution (excluding beverages packed in plastic tubes or similar containers and which are normally consumed in a frozen state)	14,83c/l	15,98c/l	12,00c/l	12,00c/l
104.10	22.03	BEER MADE FROM MALT	2 031c/l of absolute alcohol	2 031c/l of absolute alcohol	2 122c/l of absolute alcohol	2 122c/l of absolute alcohol
104.15	22.04	WINE OF FRESH GRAPES, INCLUDING FORTIFIED WINES; GRAPE MUST, OTHER THAN THAT OF HEADING NO. 20.09				
	22.05	VERMOUTHS AND OTHER WINE OF FRESH GRAPES FLAVOURED WITH PLANTS OR AROMATIC SUBSTANCES				
	22.06	OTHER FERMENTED BEVERAGES (FOR EXAMPLE, CIDER, PERRY AND MEAD):				
.05		Sorghum beer (excluding beer made from preparations based on	745c/100l	745c/100l	745c/100l	745c/100l

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Tariff item	Tariff Heading	DESCRIPTION	Present rate of duty		Proposed rate of duty	
			Excise	Customs	Excise	Customs
		sorghum flour)				
.10		Unfortified still wine	6 100c/100l	6 100c/100l	6436c/100l	6436c/100l
.40		Fortified still wine	13 800c/100l	13 800c/100l	14 559c/100l	14 559c/100l
.50		Other still fermented beverages, unfortified	10 000c/100l	10 000c/100l	10 804c/100l	10 804c/100l
.60		Other still fermented beverages, fortified	18 160c/100l	18 160c/100l	19 159c/100l	19 159c/100l
.70		Sparkling wine	16 900c/100l	16 900c/100l	17 830c/100l	17 830c/100l
.80		Other fermented beverages (excluding sorghum beer)	21 600c/100l	21 600c/100l	22 788c/100l	22 788c/100l
104.20	22.07	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF 80 PER CENT VOLUME OR HIGHER; ETHYL ALCOHOL AND OTHER SPIRITS, DENATURED, OF ANY STRENGTH				
	22.08	UNDENATURED ETHYL ALCOHOL OF AN ALCOHOLIC STRENGTH BY VOLUME OF LESS THAN 80 PER CENT VOLUME; SPIRITS, LIQUEURS AND OTHER SPIRITUOUS BEVERAGES:				
.10		Wine spirits, manufactured in the Republic by the distillation of wine	270 000c/100l of absolute alcohol	-	287 550c/100l of absolute alcohol	-
.15		Spirits, manufactured in the Republic by the distillation of any sugar cane product	270 000c/100l of absolute alcohol	-	287 550c/100l of absolute alcohol	-
.25		Spirits, manufactured in the Republic by the distillation of any grain product	270 000c/100l of absolute alcohol	-	287 550c/100l of absolute alcohol	-
.29		Other spirits, manufactured in the Republic	270 000c/100l of absolute alcohol	-	287 550c/100l of absolute alcohol	-
.60		Imported spirits of any nature, including spirits in imported spirituous beverages (excluding liqueurs, cordials and similar spirituous beverages containing added sugar) and in compound alcoholic preparations of an alcoholic strength exceeding 1,713 per cent alcohol by volume	-	260 387c/100l of absolute alcohol or 111 966c/100l		277 937c/100l of absolute alcohol or 119 513c/100l

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Tariff item	Tariff Heading	DESCRIPTION	Present rate of duty		Proposed rate of duty	
			Excise	Customs	Excise	Customs
.70		Spirits of any nature in imported liqueurs, cordials and similar spirituous beverages containing added sugar, with or without flavouring substances	-	260 387c/100l of absolute alcohol		277 937c/100l of absolute alcohol.
104.30	24.02	CIGARS, CHEROOTS, CIGARILLOS AND CIGARETTES, OF TOBACCO OR OF TOBACCO SUBSTITUTES				
	24.03	OTHER MANUFACTURED TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES, "HOMOGENISED" OR "RECONSTITUTED" TOBACCO EXTRACTS AND ESSENCES:				
.10		Cigars	868,0c/kg net	868,0c/kg net	32 717c/kg net	32 717c/kg net
.20		Cigarettes	102c/10 cigarettes	102c/10 cigarettes	122,5c/10 cigarettes	122,5c/10 cigarettes
		Plus, in respect of cigarettes the mass of the tobacco content of which exceeds 1,5kg/1 000 cigarettes	3 798c/kg tobacco content	3 798c/kg tobacco content	4 561,4c/kg tobacco content	4 561,4c/kg tobacco content
.30		Cigarette tobacco	128c/50g or fraction thereof plus 493c/kg tobacco	128c/50g or fraction thereof plus 493c/kg tobacco	229c/50g	229c/50g
.40		Pipe tobacco	938c/kg net	938c/kg net	2493,95c/kg net	2493,95c/kg net

It is proposed that the rates of duty be applicable to the goods concerned which have not been entered for home consumption at the time these taxation proposals are tabled.

Ad valorem excise and customs

The proposed changes to the *ad valorem* excise and customs duties are outlined in table C.5.

Table C.5 Ad valorem excise and customs duty tax base

Description of existing excisable goods in the ad valorem excise tax base	Existing rate of duty	Proposed rate of duty
Essential oils	10%	No change
Perfumes and toilet waters	10%	No change
Beauty make-up preparations	10%	No change
Preparations for the use on the hair	10%	No change
After-shave and bath preparations	10%	No change
Photographic plates and film	10%	No change
Articles of apparel and fur skin	10%	No change
Microphones and stands	10%	No change
Turntables, record-players and cassette-players	10%	No change
Magnetic tape recorders	10%	No change
Video recording or reproducing apparatus	10%	No change
Prepared unrecorded media for sound	10%	No change
Records, tapes and other recorded media	10%	No change
Reception apparatus for radio-telephony	10%	No change
Motorcycles (capacity less than 800cm ³)	5%	No change
Motorcycles (capacity equal to or exceeding 800cm ³)	10%	No change
Lenses, prisma, mirrors and other optical elements	10%	No change
Sunglasses and the like	10%	No change
Binoculars, monoculars, etc.	10%	No change
Photographic cameras	10%	No change
Cinematographic cameras and projectors	10%	No change
Image projectors	10%	No change
Firearms	10%	No change
Computers, printers, modems and other office machines	5%	No change
Air conditioners, wall/ window types, self contained	10%	No change
Cordless telephone sets	10%	No change
Cell phones	10%	No change
Video cameras for non-commercial application	10%	No change
Dishwashers (domestic)	10%	No change
Jetskis	10%	No change
Wrist watches, pocket watches and other watches	10%	0%
Road wheels of magnesium	10%	0%
Additional goods subject to ad valorem duty		
No exclusion for unrecorded media, i.e. magnetic tapes, discs, cards and other media for use in automatic data processing machines	0%	10%
No exclusion for un-perfumed petroleum jelly	0%	10%
Pre-shave and shaving preparations	0%	10%
Loudspeakers	0%	10%
Fireworks	0%	10%

Fuel levy

It is proposed that the fuel levy on both leaded and unleaded petrol be increased by 4 cents per litre with effect from 1 April 1999.

PROPOSED AMENDMENTS TO TAX LAWS

The South African Revenue Service is giving consideration to various amendments to the Income Tax Act, Customs and Excise Act, Value-Added Tax Act and other taxation laws during the course of this year. The following are some of the amendments being considered.

Income Tax Act

Section 8

Amendment of section 8(1)(e) and (f) as a result of the promulgation of the Remuneration of Public Office Bearers Act, 1998.

Section 10

Amendment of section 10(1)(t) to withdraw the exemption of the South African Housing Trust on discontinuance of the company's activities.

Section 20

To effect certain textual amendments.

Section 24J

Amendment of section 24J to incorporate a definition of "lending arrangement".

Section 29

Review of the taxation of long term insurers.

Section 31

To extend the scope of the definition of "international agreement".

Distribution of surplus assets of pension funds

Amendment to deal with the taxation of the distribution of surplus assets of pension funds.

Value-Added Tax

Section 16

Amendment to allow a notional input tax deduction in respect of amounts paid to the National Lottery Distribution Trust Fund.

Customs and Excise Act

Section 105

Amendment of section 105(b) to delete the reference to the Prescribed Rate of Interest Act, 1975 (Act No. 55 of 1975), and to provide that the Minister of Finance may fix a rate of interest.

Stamp Duties Act

Section 32

Limit refunds to amounts of R2-00 and more.

Item 3 (Antenuptial or postnuptial contract)

Deletion.

Item 6 (Debit entry)

To amend the definition of “debit entry”.

Item 11 (Customs and excise documents)

Increase rate to R1-00.

Items 12 (Duplicate original)

Deletion.

Item 15 (Marketable security)

Withdrawal of exemption of South African Housing Trust on discontinuance of the company’s activities.

Amendment of Item 15(3) (nB), to remove any uncertainty that shares must not only be returned to the lender, it must also be registered in the name of the lender before the exemption applies.

Item 17 (Partnership agreement)

Deletion

Item 19 (Power of attorney)

Deletion.

Marketable Securities Tax Act

Withdrawal of the exemption in respect of the Public Investment Commissioner.

Uncertificated Securities Tax Act

Withdrawal of the exemption in respect of the Public Investment Commissioner.

Demutualisation Levy Act

Insertion of an exemption clause in the Demutualisation Levy Act, 1998, to exempt the Umsobomvu Fund from income tax.

Rationalisation provisions

Consideration will be given to extending the scope of the provisions in respect of unlisted companies.

Unbundling and STC provisions

To prohibit the reduction of dividends declared by dividends received in terms of an unbundling transaction in the determination of STC payable, where the dividends received enjoyed an exemption from STC.

General

To introduce any other amendments necessary to prevent fraud, tax avoidance and tax evasion.

