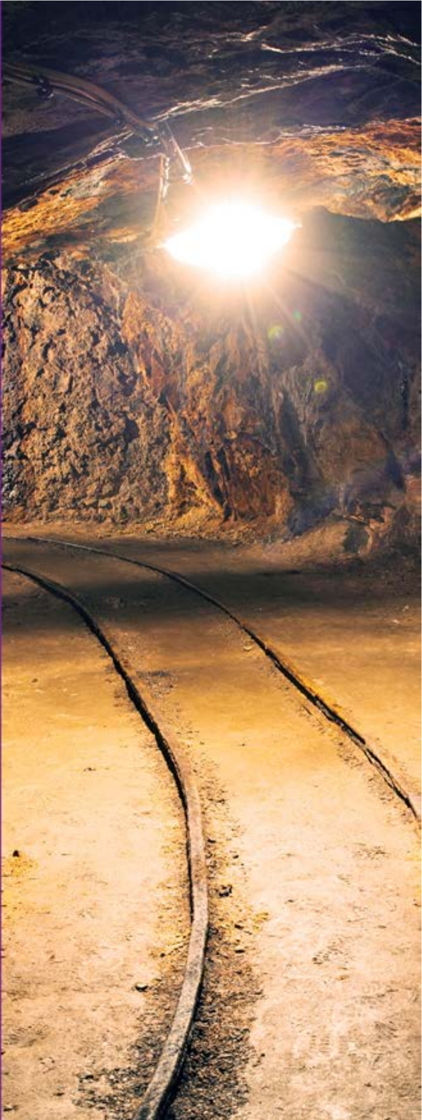
Responsible Tax for the Common Good

KPMG's 2016 BudgetWatch

With KPMG's 2016/7 Tax Guide



Income Tax: Individuals and Special Trusts

Tax Rates (year of assessment ending 28 February 2017)

Taxable income		Rates of tax		
R	R	R		R
0 -	188 000		18% of each	1
188 001 -	293 600	33 840 +	26% of the amount above	188 000
293 601 -	406 400	61 296 +	31% of the amount above	293 600
406 401 -	550 100	96 264 +	36% of the amount above	406 400
550 101 -	701 300	147 996 +	39% of the amount above	550 100
701 301 -	and above	206 964 +	41% of the amount above	701 300

Tax Thresholds

Age	Threshold (R)
Below age 65	75 000
Age 65 to below 75	116 150
Age 75 and over	129 850

Trusts, other than special trusts, will be taxed at a flat rate of 41%.

Tax Rebates

- Primary rebate for natural persons R13 500
- Secondary rebate for natural persons aged 65 and older R7 407
- Tertiary rebate for natural persons aged 75 and older R2 466

Which individuals must submit returns

The Commissioner annually gives public notice of the persons who are required to furnish returns for the assessment of normal tax within the period prescribed in that notice (likely to be issued in June 2016).

Currently, the following persons must furnish an income tax return:

Every natural person:

- who carried on any trade in South Africa (other than solely in his or her capacity as an employee);
- to whom a travel allowance was paid or granted (other than an amount reimbursed or advanced and whose gross income exceeded R70 700 for individuals under 65 years old); or
- R110 200 for individuals older than 65 years but under the age of 75; or
- R123 350 for individuals 75 years or older;
- who had capital gains or losses exceeding R30 000 (R40 000 for the 2016/17 tax year);
- who is a resident and held any funds in foreign currency or owned any assets outside South Africa, if the total value of those assets exceeded R200 000 at any stage during the year of assessment;
- who is a resident and to whom any income or capital gains from funds in foreign currency or assets outside the Republic could be attributed
- who is a resident and held any participation rights in a controlled foreign company; or
- to whom an income tax return is issued or who is requested by the Commissioner in writing to furnish a return, irrespective of the amount of income of that person.

Natural persons are not required to furnish a return if their gross income consist solely of:

- income, other than from an allowance or advance, from one single source which does not exceed R350 000 and employees' tax has been deducted or withheld in terms of the deduction tables prescribed by the Commissioner;
- interest from a source in South Africa not exceeding R23 800 in the case of a natural person below the age of 65 years; or R34 500 in the case of a natural person aged 65 years or older; and
- dividends and the natural person was a non-resident during the year of assessment.

Capital Gains Tax: Individuals

Inclusion rate: 40%
Statutory rate: 0% - 41%
Effective rate: 0% - 16.4%

Exemptions / Exclusions from CGT

- Annual exclusion for individuals and special trusts: R40 000.
- Exclusion granted to individuals during the year of death: R300 000.
- Exclusion on disposal of a primary residence: R2 million.
- Exclusion on disposal of a small business for persons over 55: R1.8 million provided that the market value of the business does not exceed R10 million.

Allowances and deductions

Subsistence Allowances and Advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence on business and the accommodation to which that allowance or advance relates is in South Africa and the allowance or advance is granted to pay for:

- Meals and incidental costs, an amount of R372 per day is deemed to have been expended.
- Incidental costs only, an amount of R115 for each day which falls within the period is deemed to have been expended.

For overseas costs the applicable rate per country is available on the SARS website.

Travel Allowance

A log book confirming business kilometres travelled must be maintained in order to claim any deduction for business kilometres.

PAYE must be withheld by the employer on 80% of the allowance granted to the employee. The percentage may be reduced to 20% PAYE withholding 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.

Where the employee has borne the full cost of licence, insurance, maintenance and fuel, the employee may claim a deduction at the time of preparing his/her income tax return for business kilometres travelled and will be taxed on the portion of the not claimed as a deduction.

Where the distance travelled for business purposes does not exceed 8000 km per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 329 cents per km, regardless of the value of the vehicle.

This alternative is not available if other compensation in the form of an allowance or reimbursements is received from the employer in respect of the vehicle.

Travel Table

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

Value of the vehicle (including VAT) R	Fixed cost (R/p.a)	Fuel cost (c/km)	Maintenance cost (c/km)
0 – 80 000	26 675	82.4	30.8
80 001 – 160 000	47 644	92.0	38.6
160 001 – 240 000	68 684	100.0	42.5
240 001 – 320 000	87 223	107.5	46.4
320 001 – 400 000	105 822	115.0	54.5
400 001 – 480 000	125 303	132.0	64.0
480 001 – 560 000	144 784	136.5	79.5
exceeding 560 000	144 784	136.5	79.5

Fringe benefits

Company Car / Employer Owned Vehicles

As from 1 March 2015, the "determined value" of vehicles acquired, in any manner other than under an operating lease (as defined) will be the retail market value of such vehicle as determined by the Minister by Regulation.

If the vehicle was acquired under an operating lease (as defined) the monthly taxable value is equal to the actual cost to the employer incurred under that operating lease and the cost of fuel in respect of that vehicle.

80% of the taxable benefit will be subject to PAYE on a monthly basis. The percentage may be reduced to 20% if the employer is satisfied that at least 80% of the use of the company car for the tax year will be for business purposes.

The taxable value may be reduced on assessment of the employee's income tax return in accordance with the ratio of business kilometres travelled to total kilometres travelled.

Fringe benefits

Company Car / Employer Owned Vehicles

Further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost was borne by the employee and the number of private kilometres travelled is substantiated by a log book.

Employer provided residential accommodation

A taxable fringe benefit arises where an employer provides an employee with residential accommodation either free of charge, or for a consideration which is less than the "rental value".

The taxable value will be equal to the lower of the cost to the employer in providing the accommodation and the amount calculated with reference to the formula, where the employer-provided accommodation is leased by the employer from an unconnected third party.

Exemptions

Interest and dividend income

Under 65 years of age – The first R23 800 of interest income is exempt.
Over 65 years of age – The first R34 500 of interest income is exempt.

Interest is exempt where earned by non-residents who are physically absent from South Africa for at least 182 days (or 183 days in a leap year) during the 12 month period before the interest accrues and the debt from which the interest arises is not effectively connected to a fixed place of business in South Africa of that non-resident. Also refer to the section on Tax Free Investments.

South African dividends are exempt after the withholding of dividends tax (except to the extent that anti-avoidance provisions have been triggered).

Foreign interest and dividends

There is no exemption in respect of foreign sourced interest income. Where an individual holds less than 10% of the equity share capital of a foreign company, which distributes a dividend, the dividend will be taxed at a maximum effective rate of 15% as determined by a formula.

Deductions from Income (individuals)

Contributions to Pension, Provident and Retirement Annuity Funds

From 1 March 2016, the employer contributions to South African retirement funds for the benefit of employees will be deemed to be a taxable fringe benefit in the hands of the employees. Depending on the nature of the fund, the fringe benefit will be determined as either the actual cash value of the contribution or according to a formula.

It is proposed that all contributions made for the benefit of members be taxed (including where made by a retirement fund). Further, the potential issue of double counting, particularly in respect of retirement funds with a hybrid structure, will be removed.

The tax deduction for contributions to all retirement funds (including provident funds) will increase to 27.5% of the greater of taxable income (excluding retirement and severance lump sums) or remuneration (excluding retirement and severance lump sums) up to a cap of R350 000 per year.

The employee will be deemed to have made contributions to the value of the fringe benefit.

Any contributions in excess of R350 000 will be carried forward and will be available for deduction in future tax years, subject to the annual limitations applicable to those future tax years.

It is proposed that excess contributions made to retirement annuity funds and pension funds accumulated up to 29 February 2016 be available for rollover. It is also proposed that the allowable deduction for retirement annuity funds be determined before Public Benefit Organisation donations are taken into account.

Non - deductible contributions which have not been absorbed by the time that a member exits a retirement fund (death, withdrawal, retirement), must be paid out exempt from income tax. The exemption applies regardless of whether the fund interest is paid out as part of a lump sum or by way of compulsory annuity (effective from 1 March 2014).

Donations to certain Public Benefit Organisations

Deductions in respect of donations to certain public benefit organisations are limited to 10% of taxable income (excluding retirement fund lump sums 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.

Retirement and Savings Reforms

Benefits from Pension, Provident or Retirement Annuity Funds

The minimum threshold required for annuitisation for pension and retirement annuity funds will still be increased from R75 000 to R247 500 as from 1 March 2016.

The Tax Revenue Laws Amendment Bill proposes the following changes:

- Postponement of the annuitisation requirement for provident funds for two years, until 1 March 2018.
- Provident fund members will not be required to annuitise contributions to their funds that were made before 1 March 2018.
- It is proposed when annuitisation becomes effective, forced transfers of provident members 55 and older (as at 1 March 2018), through the closure of a retirement fund will not be subject to annuitisation. Voluntary transfers will not be protected.
- To ensure the integrity of the retirement system, the ability to transfer tax-free from a pension fund to a provident fund will also be delayed until 1 March 2018. It is proposed that the requirement for a tax directive in the case of tax-free transfers from pension funds to provident funds be removed at that time.

Tax-Free Investments

An annual contribution limit of R30 000 cash and a lifetime contribution limit of R500 000 will apply to tax free savings and investment accounts.

All returns received from tax free savings and investment accounts, such as interest, dividends and capital gains is 100% tax free.

A “tax free investment” is defined as a financial instrument or long term insurance policy, owned by a natural person and administered by a person or entity as designated by notice in the Government Gazette, by the Minister of Finance.

All proceeds received from a tax-free investment and capitalised, as well as the transfer between tax free investment accounts, shall not be taken into account when determining whether a person exceeded the annual or lifetime contribution limits. Please note that transfers of tax-free savings accounts between service providers will be postponed from 1 March 2016 to 1 November 2016.

It is important to note that harsh penalties apply if during any year of assessment a person contributes amounts in excess of the contribution limits, as the person will be required to pay an amount of normal tax equal to 40% of the excess amount contributed (regardless of whether the person is at the maximum marginal rate of tax).

Medical and disability expenses

Taxpayers may deduct from their tax liability a tax credit of R286 for the first two beneficiaries and R192 for each additional beneficiary, in respect of medical aid contributions.

Taxpayers under the age of 65 years may deduct an additional tax credit equal to 25% of

(1) medical aid contributions in excess of four times the total allowable medical scheme fees tax credits.

(2) plus qualifying medical expenses which exceeds 7,5% of the person’s taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit).

Taxpayers 65 years and older and those with disabilities or with disabled dependents may deduct an additional tax credit equal to

(1) 33,3% of medical aid contributions in excess of three times the total allowance medical scheme fees tax credit.

(2) plus 33,3% of qualifying medical expenses.

Taxation of lump sum benefits

Retirement and severance benefits

The tax-free lump sum benefit upon retirement and in respect of severance benefits is R 500 000.

The rates for the taxation of lump sums upon retirement and in respect of severance benefits are set out below:

Taxable income	Rates of tax
R	R
0 - 500 000	0% of taxable income
500 001 - 700 000	0 +18% of taxable income above 500 000
700 001 - 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above1 050 000

Retirement fund lump sum benefits consist of lump sums from a retirement fund on death, retirement, or termination of employment due to redundancy or termination of the employer's trade.

Severance benefits consist of lump sums from or by arrangement with an employer due to termination of a person's office or employment.

Taxation of lump sum benefits upon withdrawal from a retirement fund

Taxable income	Rates of tax
R	R
0 - 25 000	0% of taxable income
25 001 - 660 000	0 + 18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

Companies and Employers

Corporate Tax Rates

Type	Rates of Tax
	2016/17
Companies	
Resident Company	28%
Non-resident Company	28%
Personal Service Provider Company	28%
Gold mining, oil & gas, and long-term insurance companies are subject to special rules and tax rates	
Small Business Corporations	
R 0 – R 75 000	0%
R 75 001 – R 365 000	7% of the amount above R75 000
R 365 001 – R 550 000	R 20 300 + 21% of the amount above R 365 000
R 550 001 and above	R 59 150 + 28% of the amount above R 550 000
Micro Businesses [1]	
R 0 – R 335 000	0%
R 335 001 – R 500 000	1% of the amount above R 335 000
R 500 001 – R 750 000	R 1 650 + 2% of the amount above R 500 000
R 750 001 and above	R 6 650 + 3% of the amount above R 750 000
Withholding Taxes [2]	
Dividends	15%
Interest paid to non-residents	15%
Royalties paid to non-residents	15%
Amounts paid to non-resident entertainers and sportspersons	15%
Disposal of fixed property by non-residents	Individuals: 5% Companies: 7.5% Trusts: 10%

1. Micro businesses have the option of making payments for turnover tax, VAT and employees' tax at twice yearly intervals.
2. All withholding taxes payable by non-residents are subject to DTA relief

Which companies must submit returns

The Commissioner annually gives public notice of the persons who are required to furnish returns for the assessment of normal tax within the period prescribed in that notice (likely to be issued in June 2016).

The following entities are currently required to submit annual income tax returns:

- every company, trust or other juristic person, which is a resident;
- every company, trust or other juristic person, which is not a resident, and –
  - which carried on a trade through a permanent establishment in the Republic;
  - which derived income from a source in the Republic; or
  - which derived any capital gain from a source in the Republic;
- every company incorporated, established or formed in the Republic, but which is not a resident as a result of the application of any agreement entered into with the Government of any other country for the avoidance of double taxation;

Capital Gains Tax

Effective CGT rates

Type of taxpayer	Inclusion Rate	Statutory Rate	Effective Rate
Other Trusts	80%	41%	32.8%
Companies (including personal service provider companies and branches of non-resident companies)	80%	28%	22.4%
Small business corporations	80%	0% – 28%	0% - 22.4%

Payroll Taxes and Levies

Pay-as-you-earn ("PAYE")

Employers are required to withhold PAYE from remuneration paid to employees. The PAYE must be paid to SARS by the 7th day of the month following the month in which the remuneration is received. If the 7th falls on a weekend or public holiday, the payment must be made by the last business day before the 7th .

Unemployment Insurance Fund ("UIF")

UIF contributions are payable by employers to SARS on a monthly basis and are calculated at a rate of 2% of remuneration paid or payable to each employee during the month, up to a maximum remuneration threshold of R14 872 per month or R178 464 per annum.

Both the employer and the employee are required to make a contribution of 1% each of the employee's remuneration (up to the threshold) on a monthly basis (i.e. a total of 2%).

Skills Development Levy ("SDL")

Employers with a payroll of more than R500 000 per annum must account for SDL, at a rate of 1% of total remuneration paid to employees.

Employment Tax Incentive ("ETI")

The maximum amount of the incentive that can be claimed per qualifying employee (as defined) for the first twelve months is R1 000 and thereafter R500 for the next twelve months.

Where a qualifying employee works 160 hours or more a month, the actual value of remuneration is used to calculate the incentive amount.

Where a qualifying employee works less than 160 hours in a month, the ETI value is calculated pro rata based on the hours worked against the 160 hours baseline.

The excess amounts available for rollover at the end of the bi-annual employer reporting period will be ring fenced and can only be claimed after SARS has verified that the employer is tax compliant. If the employer is not tax compliant, the excess amount will be reimbursed when the employer becomes tax compliant. However, from 1 January 2014, should the employer fail to become tax compliant within the next six months, the excess amount will be lost and the roll over amount will be reset to zero.

The incentive expires on 31 December 2016. A review on the effectiveness of the incentive will be conducted in the third quarter of 2016 and presented to Parliament. If there are delays in completing the review, the incentive may be extended for one year.

Other Incentives

The Minister indicated that a review of business incentives has been initiated, to strengthen their impact on growth, productivity, competitiveness, trade and competitiveness.

A task team established by the Minister of Science and Technology will investigate the challenges faced by businesses in trying to access the research and development ("R&D") tax incentive and will present recommendations for improving administration (to be completed in April 2016, after which proposals will be considered to enhance the R&D incentive).

The 2016 Budget allocates an additional R903 million to economic development and incentive programmes, amounting to a total of R14.1 billion for 2016/17. Over the medium term R10.2 billion will be allocated to industrial development plus R3.4 billion to assist in the bulk infrastructure needed for the South Africa's nascent Special Economic Zones. An additional R1.6 billion will also be allocated over the medium term to extend broadband access to government institutions and schools.

Regarding government incentives, some proposed amendments which will be considered for the 2016 taxation laws amendment cycle include:

- Including indirect infrastructure costs to be eligible for the current renewable energy accelerated depreciation allowance.
- Measures to attract and retain potential investors in relation to venture capital funding for small businesses.
- Urban Development Zones ("UDZ") tax incentive to be made available to more municipalities, subject to the application of a set of strict criteria and an adjudication process.

- Small business corporations in special economic zones (“SEZs”) to be subject to corporate income tax at the lowest of the applicable graduated rate or 15 per cent.

- To extend tax relief in relation to land donated for land reform to other types of land-reform initiatives (e.g. land-reform initiatives set out in the National Development Plan).

- To include all government grants in gross income and the Eleventh Schedule to be the sole mechanism for determining whether they are taxable or not.

- To extend the Independent Power Producers Programme to include coal and gas power projects.

- A review of all incentives will be undertaken, noting that incentives for the automotive industry have supported announced investments of more than R20 billion.

Employee Share Schemes

The taxation of equity instruments acquired by employees or directors by virtue of their employment or position as director is primarily governed by the provisions of section 8C of the Income Tax Act. The provisions will be reviewed in order to address schemes where equity instruments are liquidated in return for an amount qualifying as an exempt dividend.

Value - Added Tax

- Standard rate 14%

- VAT registration threshold remains at R1 000 000

- VAT voluntary registration threshold remains at R50 000.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Tax Calendar

Provisional tax – individuals / companies

1st Payment: To be made within 6 months after previous tax year end

2nd Payment: To be made on tax year end

3rd Payment: Voluntary payment to be made within 7 months after tax year end (if tax year end is 28/29 February), or voluntary payment to be made within 6 months after year end (if tax year end falls on any other date).

An individual who earns income other than remuneration or an allowance or advance payable by his/her employer, is required to submit provisional tax returns.

An individual is exempt from the payment of provisional tax if he/she does not carry on any business and his/her taxable income:

- Does not exceed the applicable annual tax threshold; or
- Is derived solely from interest, dividends, and rental from the letting of fixed property, and does not exceed R30 000 per year.

It terms of current practice, should the Commissioner determine that a taxpayer should be a provisional taxpayer, SARS alerts that taxpayer of his/her provisional tax status through individual notice. This is often the case for employees who receive remuneration from foreign services from which employees' tax has not been withheld. The absence of withholding as relates to foreign paid remuneration results in sizable tax payments upon assessment. It has been proposed that in future such notice will only be given by way of public notice in the Government Gazette.

Provisional tax – penalties on late payment, late submission and underestimation

The following penalties may be imposed:

- A 10% penalty for the late payment of the amount of provisional tax due .
- A 20% penalty for the late submission of the provisional tax return, or for the underestimation of the amount of provisional tax due.
- The 20% underestimation penalty is reduced by the amount of any late payment penalty imposed. Both of these penalties constitute percentage based penalties in terms of section 213 of the Tax Administration Act ("TAA").

The 20% underestimation penalty will only be triggered in the following scenarios:

- Taxable income of less than R 1 million: if the aggregate of the first and second provisional tax payments is less than 90% of the normal income tax payable on assessment, and less than the "basic amount" i.e. the normal income tax payable per the most recent previous assessment issued.
- Taxable income equal to or more than R 1 million: if the aggregate of the first and second provisional tax payments is less than 80% of the normal income tax payable on assessment, regardless of the basic amount.

International Tax

Withholding Taxes

The rates may be reduced by the provisions of a relevant Double Tax Agreement ("DTA"). It is no longer necessary to obtain SARS approval to qualify for a reduced rate under an applicable DTA. Rather the foreign recipient of the royalty or the interest should provide a declaration to the payor confirming that the DTA rate applies. SARS has released the prescribed form pertaining to the declaration for interest and royalty withholding tax.

Dividends

Dividends tax is a final tax levied at a rate of 15%. The tax is levied on the dividends paid by a resident company and by a non-resident company in respect of shares listed on the JSE. To the extent that the dividend does not consist of a distribution of an asset in specie, the beneficial owner of the dividend is liable for the dividends tax in respect of the dividend.

Whereas, insofar as the dividend consists of a distribution of an asset in specie, the resident company that declares the dividend is liable for the dividends tax in respect of the dividend.

Royalties

Withholding tax on royalties is a final tax and is levied at a rate of 15%. The withholding tax is levied on the gross amount of royalties paid to a non-resident, where the royalty is of a South African source.

Interest

Withholding tax on interest is a final tax that is levied at a rate of 15% with effect from 1 March 2015. Interest withholding tax is required to be withheld on South African sourced interest that is paid or becomes due and payable to any foreign person. Interest is deemed to be paid on the earlier of the date the interest is paid or becomes due and payable. Consequently, interest withholding tax may at times be withheld irrespective of whether or not interest payments are actually made.

Withdrawal of withholding tax on service fees

It is proposed that the anticipated withholding tax on service fees which was due to come into effect on 1 January 2017 be withdrawn from the Income Tax Act, and dealt with under the provisions of reportable arrangements in the Tax Administration Act.

Controlled foreign company (CFC) legislation – collective investment schemes

The South African CFC legislation requires South African residents that hold equity shares or voting rights in a foreign company to be taxed on a portion of that foreign company's net income. It is proposed that collective investment schemes that hold shares in foreign companies be excluded from the South African CFC legislation. It appears that the intention is to exclude from the CFC legislation all collective investment schemes, regardless of the underlying assets of the scheme, however the exact extent of this relaxation would only be understood once the legislation is made available.

High tax exemption calculation

The high tax jurisdiction exemption deems the net income of a CFC to be nil where the aggregate amount of taxes on income payable to all spheres of government (excluding South Africa) is at least 75% of the amount of normal tax that would have been payable in respect of any taxable income of that CFC, had that CFC been a resident for South African tax purposes.

Currently, when determining the 75% threshold, one would have to disregard any foreign group company losses.

It is proposed that the adjustment for foreign group losses in the calculation for high-tax exemption be deleted.

Bad debt deduction:

Currently, any foreign gains or losses arising from a loan denominated in foreign currency that is granted by a taxpayer that is not a money lender is not allowed as a deduction in instances where the loan goes bad.

The provisions relating to the deduction of bad debts are to be amended to take into account any foreign exchange gains or losses arising on any loans denominated in foreign currency, in instances where the taxpayer is not a money lender and the debt has been included in that taxpayer's gross income.

Withholding tax on interest

The Income Tax Act currently does not allow for a refund of any interest withholding tax withheld in this instance and it is proposed that a process is established to allow for a refund of interest withholding tax paid to a foreign person where the interest is written off as irrecoverable.

Hybrid debt instruments

Measures are to be implemented, effective 24 February 2016, to eliminate mismatches associated with hybrid debt instruments potentially resulting in double non-taxation, where the issuer is not tax resident in South Africa.

Base erosion and profit shifting ("BEPS")

The Minister continued to focus on concerns relating to BEPS practices, highlighting measures already underway to combat such practices such as greater reporting obligations for taxpayers, registration requirements for non-residents linked to the generation of South African sourced income and the intention to enter into multilateral agreements to ensure tax abuse through the use of double tax agreements is curbed.

Taxpayers are urged to assess their cross border activities to ensure that they are not caught short in terms of these measures.

Customs and Excise

Specific customs and excise duties

With effect from 24 February 2016 specific customs and excise duties are increased. On most alcoholic beverages the rate increased by between 6.7% and 8.5% (excluding traditional African beer and beer powder which remain unchanged). The rate of duty on tobacco products and cigars increased by between 6.7% and 7%.

A review of alternative and the existing measures for the taxation of tobacco products will commence this year, including the exploration of how new tobacco products such as e-cigarettes should be taxed.

General Fuel Levy and Road Accident Fund Levy

The General Fuel Levy for 2016/2017 is increased by 30c/li to 285c/li and 270c/li for petrol and diesel, respectively. Both increases will take effect on 6 April 2016. The Road Accident Fund Levy will remain unchanged at 154c/li.

Environmental Taxes

Tyre Levy

With effect from 1 October 2016, a new levy of R2.30/Kg will be introduced in respect of imported and locally manufactured tyres. In respect of imports, this levy will apply on all imported tyres, whether or not fitted to wheel rims or vehicle. This levy will replace the current REDISA levy.

Plastic bag Levy

From 1 April 2016, the environmental levy payable in respect of plastic bags (shopping bags) will increase by 2 cents to be at 8 cents per bag.

Electric filament lamps levy

From 1 April 2016, the environmental levy payable in respect of electric filament lamps will increase by R2 to be at R6.00 per globe

Carbon dioxide emissions tax

From 1 April 2016, the carbon dioxide emissions tax will increase to R100.00 and R140.00 per g/km CO^2 emissions exceeding 175g/km in respect of passenger cars and double cabs, respectively.

Transfer Duty and Securities Transfer Tax (STT)

Transfer Duty

Payable on transactions that are not subject to VAT (including zero-rated VAT)

Value of Property	Rates payable
R 0 – R 750 000	0%
R 750 001 – R 1 250 000	3% of the value above R750 000
R 1 250 001 – R1 750 000	R 15 000 + 6% of the value above R1 250 000
R 1 750 001 – R2 250 000	R 45 000 + 8% of the value above R1 750 000
R 2 250 001 - R10 000 000	R 85 000 + 11% of the value above R2 250 000
R 10 000 0001 and above	R937 500 + 13% of the value above R10 000 000

Securities Transfer Tax (STT)

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities.

Estate Duty And Donations Tax

Estate Duty

A flat rate of 20% remains payable on all property of residents and South African property of non-residents. A basic deduction of R 3.5 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 (PBO) and property accruing to surviving spouses.

Donations Tax

A flat rate of 20% remains payable. The first R 100 000 of property donated in each year, by a natural person, is exempt from donations tax. For taxpayers who are not natural persons, exempt donations are limited to casual gifts not exceeding a total of R 10 000 per annum. Donations between spouses and donations to PBOs are exempt from donations tax.

Administrative Non-Compliance Penalties

Taxable income for preceding year	Monthly Penalty
Assessed Loss	R 250
R 0 – R 250 000	R 250
R 250 001 – R 500 000	R 500
R 500 001 – R 1 000 000	R 1 000
R 1 000 001 – R 5 000 000	R 2 000
R 5 000 001 – R 10 000 000	R 4 000
R 10 000 000 – R 50 000 000	R 8 000
Above R 50 000 000	R 16 000
Maximum successive penalties: 36 (SARS in possession of address) or 48 (SARS not in possession of address)	

Administrative non-compliance is the failure to comply with an obligation imposed by or under a tax Act and is listed in a public notice by the Commissioner. As at 24 February 2016, only the failure by a natural person to submit an income tax return (subject to further other conditions) was listed as a specified non-compliance.

Understatement Percentage-Based Penalties

Behaviour	Standard case	Obstructive or repeat case	Voluntary disclosure after notification of audit	Voluntary disclosure before notification of audit
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position	50%	75%	25%	0%
Gross negligence	100%	125%	50%	0%*
Intentional tax evasion	150%	200%	75%	0%*

*To be reduced to 0% in terms of the Rates and Monetary Amounts and Amendment of Revenue Laws) Administration Bill, 2016.

Understatement means any prejudice to SARS or the fiscus as a result of:

- A default in rendering a return
- An omission from rendering a return
- An incorrect statement in a return
- Failure to pay correct amount of tax

The burden of proving the facts on which SARS based the imposition of the understatement penalty, is upon SARS.

Voluntary Disclosure Programme

A **general** Voluntary Disclosure Programme ("VDP") is provided for in the Tax Administration Act, in terms of which taxpayers (corporate entities, individuals, etc.), can approach SARS with a view to regularise their tax affairs with the prospect of remittance of certain penalties.

A six-month **special** voluntary disclosure programme relating to income tax defaults and exchange control contraventions has been announced. Applications may be submitted on or after 1 October 2016 until 31 March 2017. Tax applications must report tax defaults going back to 1 March 2010. Tax relief includes 0% understatement penalties and SARS will not institute criminal charges. The exchange control levy will be 5% where the regularised assets are remitted to South Africa. The exchange control levy will be 10% where the regularised assets are left offshore. The relief will apply to exchange control contraventions which occurred prior to 29 February 2016.

SARS Interest Rates

Effective 1 February 2016	
Fringe benefits – interest free or low interest loans	7.75% p.a.
Effective 1 March 2016	
Late or underpayments of tax	9.75% p.a.
Refund of overpayments of provisional tax	5.75% p.a.
Refund of tax on successful appeal, or where the appeal was conceded by SARS	9.75% p.a.
Refund of VAT after prescribed period	9.75% p.a.
Late payments of VAT	9.75% p.a.
Underpayments of Customs and Excise Duties	9.75% p.a.

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