2012 TAX RELATED BUDGET PROPOSALS

The following is a summary of the tax related budget proposals announced by the Minister of Finance on 22 February 2012.

BUDGET HIGHLIGHTS

The main tax proposals for 2012 include:

- Increase effective capital gains tax rates to 13.3% for individuals, 18.6% for companies and 267% for trusts from 1 March 2012.
- Dividends tax becomes effective from 1 April 2012 at a rate of 15 per cent.
- Conversion of remaining medical tax deductions to tax credits from March 2014.
- From March 2014 an employer's contribution to retirement funds on behalf of an employee will be treated as a taxable fringe benefit in the hands of the employee. Individuals will from that date be allowed to deduct up to 22.5 per cent of the higher of taxable income or employment income for contributions to pension, provident and retirement annuity funds with a minimum annual deduction of R20 000 and an annual maximum of R250 000. For individuals at least 45 years of age the deductible amounts will be up to 27.5% with a minimum annual deduction of R20 000 and an annual maximum of R300 000.
- Tax preferred savings and investment vehicles for individuals are to be introduced from March 2014.
- Reduction in the rates of tax on small business corporations.
- Reduction in the compliance burden of micro businesses.
- Additional tax on gambling from 1 April 2013 at 1 % on a uniform provincial gambling tax base.
- Discussion paper on carbon emissions tax to be published in 2012.

INDIVIDUALS

Relief for Individuals
Personal Income Tax
The 2012 Budget proposes direct personal income tax relief to individuals amounting to R9.5 billion.

The tax threshold for individuals younger than 65 will be R63 556 and for individuals 65 up to 75 will be R99 056 and older than 75 will be R110 889.

Exemption for interest and dividend income remains the same (No updates from the pocket Guide)

- The annual exemption on interest earned for individuals younger than 65 years is raised from R22 300 to R22 800.
- The exemption for individuals 65 years and older increases from R32 000 to R33 000.

- The threshold for the tax-free portion of interest and dividends from foreign investment stays unchanged at R3 700 from the 2010 budget.

Medical Expenses
As announced in the 2011 Budget, income tax deductions for medical scheme contributions for taxpayers below 65 years will be converted into credits. Monthly tax credits will be increased from R216 to R230 for the first two beneficiaries and from R144 to R154 for each additional beneficiary with effect from 1 March 2012. From that date onwards (apart from those with disabilities), where medical scheme contributions in excess of four times the total allowable tax credits plus out-of-pocket medical expenses combined exceed 7.5 per cent of taxable income, they can be claimed as a deduction against taxable income.

To ensure improved equity of the tax system and to help curb increases in health costs, additional medical deductions will be converted into tax credits at a rate of 25 per cent for taxpayers aged below 65 years with effect from 1 March 2014. Also with effect from the same date, employer contributions to medical schemes on behalf of ex-employees will be deemed a taxable fringe benefit and such ex-employees will be able to claim the appropriate tax credits. Taxpayers 65 years and older, and those with disabilities or with disabled dependants, can currently claim all medical scheme contributions and out of- pocket medical expenses as a deduction against their taxable income.

The tax credits will, as from 1 March 2014, apply to all taxpayers. However, taxpayers 65 years and older and those with disabilities or disabled dependants will be able to convert all medical scheme contributions in excess of three times the total allowable tax credits plus out-of-pocket medical expenses into a tax credit of 33.3 per cent. Note that the 7.5 per cent threshold will not apply in the case of taxpayers 65 years and older and those with disabilities or with disabled dependants.

Other Tax Proposals Affecting Individuals:

- **Dividend Withholding Tax**
  As announced previously, the dividend withholding tax will come into effect on 1 April 2012, bringing an end to the secondary tax on companies. Pension funds that are exempt from income tax will receive their dividends tax free. For equity reasons it is proposed that the dividend withholding tax come into effect at 15 % per cent – five percentage points higher than the previous secondary tax on companies' rate. Income from capital can be derived as interest income, dividends or capital gains, all of which should be taxed equitably.

  Removal of the proposed passive holding company regime: Government initially proposed a passive holding company regime to come into effect with the implementation of the dividend withholding tax to correct potential arbitrage between different tax rates. With the dividend withholding tax coming into effect at a 15 per cent rate, these arbitration concerns are greatly reduced. The initially proposed passive holding company regime will be dropped.

- **Increase in Effective Capital Gains Tax Rates**
  To enhance equity, effective capital gains tax rates will be increased. The inclusion rate for individuals and special trusts will increase to 33.3 per cent, 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 other trusts to 26.7 per cent. These changes will come into effect for the disposal of assets from 1 March 2012.

To limit the impact of capital gains taxation on middle-income households, the exemption thresholds for individual capital gains and for primary residences will be adjusted significantly. The following exemptions for individual capital gains are increased from 1 March 2012:

- The annual exclusion from R20 000 to R30 000
- The exclusion amount on death from R200 000 to R300 000
- The primary residence exclusion from R1.5 million to R2 million
- The exclusion amount on the disposal of a small business when a person is over age 55 from R900 000 to R1.8 million
- The maximum market value of assets allowed for a small business disposal for business owners over 55 years increases from R5 million to R10 million.

COMPANIES

No change is proposed to corporate tax rates.

Turnover tax for micro businesses

Several reforms of the turnover tax for micro businesses (with annual turnover below R1 million) were announced in 2011. Building on these reforms, micro businesses will be given the option of making payments for turnover tax, VAT and employees' tax at twice-yearly intervals from 1 March 2012. It is further envisaged that a single combined return will be filed on a twice-yearly basis from 1 March 2013. The number of returns required for these taxes will fall from about 18 per year to only two a year in 2013. The build-up of tax liability will require such taxpayers to ensure that funds are available when payment is due.

Small business corporations

To encourage the growth of small incorporated businesses, government proposes to increase the tax-free threshold for such firms from R59 750 to R63 556. Taxable income up to R300 000 is taxed at 10 per cent; this threshold is now increased to R350 000 and the applicable rate reduced to 7 per cent. For taxable income above R350 000, the normal corporate tax rate of 28 per cent applies. These amendments will come into effect for years of assessment ending on or after 1 April 2012.

Limiting excessive debt in businesses

Public debate on section 45 of the Income Tax Act (1962) and private equity acquisitions has highlighted the need to improve the classification of corporate financing. The main problem is the erroneous classification of certain instruments as "debt" to generate interest deductions for the debtor, when such instruments more accurately represent equity financing. Similarly, in some private equity transactions, where creditors receive exempt interest income, the deductibility of interest payments deprives the transactions that may represent "credit risk" for the domestic market. To address these concerns, government will enact a revised set of reclassification rules deeming certain debt to be equivalent to shares. In 2013 government will also consider an "across-the-board" percentage ceiling on interest deductions, relative to earnings before interest and depreciation, to limit excessive debt financing.

Debt used to fund share acquisitions

Unlike most countries, South Africa does not allow for interest to be deductible when debt is used to acquire shares. Section 45 has been used as an indirect acquisition technique to facilitate the deduction of interest payments by allowing debt to be formally matched against underlying assets as opposed to shares. Given the acceptance of section 45 as an indirect share acquisition tool, it is now proposed that the use of debt to directly acquire controlling share interests of at least 70 per cent be allowed. However, the interest associated with this form of debt acquisition will be subject to the same controls applied to section 45 acquisitions.

Property loan stock companies and property unit trusts

Property unit trusts and property loan stock companies typically provide a commitment to distribute a minimum of 90 per cent of their rental income to investors. The distribution of rental income is effectively tax-neutral in the hands of the property unit trust. Property loan stock companies appear to achieve roughly the same result but without official sanction. They issue investors a dual-linked unit that consists of a debenture and a share with the distribution in the form of interest. The dual-linked structure needs to be eliminated so that other entities do not undertake the same structure to avoid tax by relying on excessive debt. The governance of property loan stock entities will be placed on par with property unit trusts. Rental income from these entities will fall under the pass-through regime that applies to property unit trusts.

Special economic zones

Legislation will introduce special economic zones, which will build on industrial development zone policy. The main aim is to improve governance, streamline procedures and provide more focused support to businesses operating within these zones. In support of this initiative, the following tax interventions will be explored:

- A possible reduction in the headline corporate income tax rate for businesses within selected zones (as determined by the Minister of Finance after consultation with the Minister of Trade and Industry).
- An income tax exemption for the operators of special economic zones.
- An additional deduction from taxable income for the employment of workers earning below a predetermined threshold.

INTERNATIONAL

Dual-listed companies and other offshore re-organisations

In 2011, government introduced rollover rules for some offshore reorganisations. The purpose was to give South African multinationals more flexibility when restructuring offshore subsidiaries, and to curtail the use of the offshore participation exemption to avoid tax. Now that steps have been taken to bring misuse of section 45 under control, government proposes to introduce an offshore section 45 provision. It would also appear that unbundling are used to facilitate dual-linked structures that allow for foreign operations to be shifted outside South Africa’s tax jurisdiction. The participation exemption will be curtailed if the transaction indirectly strips value from a South African multinational.

Rationalisation of withholding tax on foreign payments

International investors are subject to a final withholding tax when receiving royalties unless a tax treaty provides otherwise. They will also be subject to a final withholding tax on interest income as from 2013, subject to tax treaty exemptions. Government proposes to coordinate and streamline the procedures, rates and times for all of these withholding tax regimes, including the adoption of a uniform rate of 15 per cent from 12 per cent.

INDIRECT TAXES

Climate change: carbon emissions tax

A carbon tax will contribute to the global response to mitigate climate change. A modest carbon tax will begin to price carbon dioxide emissions so that the external costs resulting from such emissions start to be incorporated into production costs and consumer prices. This will also create incentives for changes in behaviour and encourage the uptake of cleaner-energy technologies, energy-efficiency measures, and research and development of low-carbon options.

Proposed design of carbon emissions tax to help mitigate global climate change

Following public consultation, government has revised its concept design for a carbon tax, and a draft policy paper will be published for comment in 2012. The proposed design features include:

- Percentage-based rather than absolute emissions thresholds, below which the tax will not be payable.
- A higher tax-free threshold for process emission, with consideration given to the limitations of the cement, iron and steel, aluminium and glass sectors to mitigate emissions over the near term.
- Additional relief for trade-exposed sectors.
- The use of offsets by companies to reduce their carbon tax liability.
- Phased implementation.

The tax will apply to carbon dioxide equivalent (CO2e) emissions calculated using agreed methods. A basic tax-free threshold of 60 per cent (with additional concession for process emissions and for trade-exposed sectors) and maximum offset percentages of 5 or 10 per cent until 2019/20 is proposed. Additional relief will be considered for firms that reduce their carbon intensity during this first phase. The reduction in carbon intensity will be measured with reference to a base year or industry benchmark. Tax-free thresholds will be reduced during the second phase (2020 to 2025) and may be replaced with absolute emission thresholds thereafter. Alignment with the proposed carbon budgets as per the national climate change response white paper (2011) will be important
.

A carbon tax at R120 per ton of CO2e above the suggested thresholds is proposed to take effect during 2013/14, with annual increases of 10 per cent until 2019/20. Revenues from the tax will not be earmarked, but consideration will be given to spending to address environmental concerns. Incentives such as the proposed energy-efficiency tax incentive and measures to assist low-income households will be supported. See Annexure C for further details.

VALUE-ADDED TAX (VAT)

Square Kilometre Array

South Africa (in cooperation with other African countries) is bidding to host the Square Kilometre Array (SKA), an international collaboration to build the world’s largest radio telescope. SKA is eligible for income-tax exemption under existing public-benefit provisions. Under consideration is providing VAT relief either in the form of a refund mechanism or the zero-rating of consideration received by the project and for imported goods and services if South Africa were to win the bid.

Financial services
Government will eliminate the VAT zero-rating of interest earned on loans to non-residents to level the playing field.

Review of VAT on indirect exports and temporary imports
The policy, legislation and administration of the VAT treatment of indirect exports of goods by road will be reviewed to ensure that exporters are not prejudiced and that the *fiscus* continues to be protected against potential abuses. Government will review the VAT treatment of temporary imports to promote local processing and beneficiation, while protecting the *fiscus.*

TAX ADMINISTRATION

During 2012/13, the South African Revenue Service (SARS) will increase its focus on cross-border cooperation. In addition, several other administrative areas will receive attention.

Tax Administration Bill
The bill has been approved by Parliament. It incorporates the common administrative elements of current tax law into one piece of legislation, and makes further improvements in this area. The bill is expected to be promulgated and most of its provisions brought into force in 2012.

Voluntary disclosure programme
By mid-February 2012, SARS had captured 17 938 applications for relief, concluded agreements to the value of R941 million and collected R718 million in related tax.

High net-worth individuals
There is room for improvement in the service offered to this segment and in compliance. This will be a focus area for SARS in the coming year.

Corporate income tax modernisation
Modernisation efforts now shift to corporate income tax. Over the next 12 months SARS will improve its audit capability and align declarations to International Financial Reporting Standards where possible.

Customs transformation
The transformation of SARS customs is starting to gain momentum, and additional steps will be taken over the period ahead to achieve fully integrated electronic customs capability.

Tax ombud
During 2012, South Africa will establish a dedicated ombud for tax matters. The office is intended to provide taxpayers with a low-cost mechanism to address administrative difficulties that cannot be resolved by SARS.

TAX POLICY RESEARCH PROJECTS

The following tax policy research projects will be undertaken or completed during 2012/13:

- Reforms to the primary, secondary and tertiary rebates in the context of a review of the means testing for the old age grant and with the intention to introduce a child and/or dependant tax rebate/credit.
- Taxation of financial instruments (including derivatives).
- Long-term insurance companies – review of the taxation, accounting and regulatory practices of the four fund system.
- Taxation of income from capital (interest income, dividends, capital gains, rental) to be reviewed to ensure greater equity and minimize opportunities for tax arbitrage.
- VAT treatment of public passenger transport.
- The implementation and importance of user charges and other fees.
- Taxation of transport fuels – review to determine the equitable treatment of all transport fuels based on their environmental characteristics (for example, CO2 emissions) and energy content.

TAX GUIDE

INDIVIDUALS AND TRUSTS
INCOME TAX RATES: NATURAL PERSONS AND SPECIAL TRUSTS
YEAR OF ASSESSMENT ENDING 29 FEBRUARY 2013

Taxable Income	**Taxable rates**
R0 - R160 000	18% of each R1
R160 001 - R250 000	R28 800 + 25% of the amount above R160 000
R250 001 - R346 000	R51 300 + 30% of the amount above R250 000
R346 001 - R484 000	R80 100 + 35% of the amount above R346 000
R484 001 - R617 000	R128 400 + 38% of the amount above R484 000
R617 001	R178 940 + 40% of the amount above R617 000

NATURAL PERSONS:
Tax thresholds

	2012	**2013**
	R	**R**
Below 65 years of age	59 750	63 556
Aged 65 and below 75	93 150	99 056
Aged 75 and over	104 261	110 889

Tax rebates

	2013
	R
Primary - All natural persons	11 440
Secondary - Persons aged 65 and below 75	6 390
Secondary - Persons aged 75 above	2 130

TRUSTS

The tax rate on trusts (other than special trusts which are taxed at rates applicable to individuals) remains unchanged at 40%.

PROVISIONAL TAX

A provisional taxpayer is any person who earns income other than remuneration or an allowance or advance payable by the person's principal. The following individuals are exempt from the payment of provisional tax–

- Individuals below the age of 65 who do not carry on a business and whose taxable income –
  - will not exceed the tax threshold for the tax year; or
  - from interest, dividends and rental will be R20 000 or less for the tax year.
- Individuals age 65 and older if their taxable income for the tax year
  - consists exclusively of remuneration, interest, dividends or rent from the letting of fixed property; and
  - is R120 000 or less.

Retirement fund lump sum withdrawal benefits

TAXABLE INCOME (R)	RATE OF TAX (R)
0 – 22 500	0% of taxable income
22 501 - 600 000	18% of taxable income above 22 500
600 001 - 900 000	103 950 + 27% of taxable income above 600 000
900 001 and above	184 950 + 36% of taxable income above 900 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal (including assignment in terms of a divorce order). Tax on a specific retirement fund lump sum withdrawal benefit (X) is equal to –

- tax determined by applying the tax table to the aggregate of that lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009, all retirement fund lump sum benefits accruing from October 2007 and all severance benefits accruing from March 2011; less

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

Retirement fund lump sum benefits

Taxable Income (R)	Rate of Tax (R)
0 – 315 000	0% of taxable income
315 001 - 630 000	18% of taxable income above 315 000
630 001 – 945 000	56 700 + 27% of taxable income above 630 000
945 001 and above	141 750 + 36% of taxable income above 945 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of employer's trade. Severance benefits consist of lump sums from or by arrangement with an employer due to relinquishment, termination, loss, repudiation, cancellation or variation of a person's office or employment. Tax on a specific retirement fund lump sum benefit or a severance benefit (Y) is equal to–

- tax determined by applying the tax table to the aggregate of that lump sum or severance benefit Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 and all other severance benefits accruing from March 2011; less

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

FOREIGN DIVIDENDS

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10 per cent in the foreign company) are taxable at a maximum effective rate of 15 per cent. No deductions are allowed for expenditure to produce foreign dividends.

EXEMPTIONS

Interest and dividends

- Interest earned by any natural person under 65 years of age, up to R22 800 per annum, and persons 65 and older, up to R33 000 per annum, are exempt from taxation. Foreign interest and foreign dividends are only exempt up to R3 700 out of the total exemption.

- Interest is exempt where earned by non-residents who are physically absent from South Africa for 183 days or more per annum and who are not carrying on business in South Africa.

DEDUCTIONS

Current pension fund contributions

The greater of 7.5% of remuneration from retirement funding employment, or R 17 50. Any excess may not be carried forward to the following year of assessment.

Arrear pension fund contributions
Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Current retirement annuity fund contributions
The greater of-

- 15% of taxable income other than from retirement funding employment, or
- R3 500 less current deductions to a pension fund, or
- R1 750.

Any excess may be carried forward to the following year of assessment.

Arrear retirement annuity fund contributions
Maximum of R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Medical and disability expenses

- Taxpayers 65 and older may claim all qualifying expenditure.

- Taxpayers under 65 may claim all qualifying medical expenses where the taxpayer or the taxpayer's spouse or child is a person with a disability.

- Other taxpayers under 65 may in determining tax payable deduct monthly contributions to medical schemes up to R230 for each of the taxpayer and the first dependant on the medical scheme and R154 for each additional dependant. When determining taxable income they can also claim a deduction for medical scheme contributions exceeding four times the amount of the medical schemes fees tax credits and any other medical expenses limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums).

Donations
Deductions in respect of donations to certain public benefit organizations are limited to 10% of taxable income before deducting medical expenses (excluding retirement fund lump sums).

Allowances
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 the Republic and the allowance or advance is granted to pay for–

- meals and incidental costs, an amount of R303 per day is deemed to have been expended;
- incidental costs only, an amount of R93 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, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website under Legal & Policy / Legislation / Regulations and Government Notices / Income Tax Act, 1962

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 are determined by using the following table.

Value of the vehicle (including VAT) (R)	**Fixed cost** (R p.a.)	**Fuel cost** (c/km)	**Maintenance** cost (c/km)
0 - 60 000	19 492	73.7	25.7
60 001 - 120 000	38 726	77.6	29
120 001 - 180 000	52 594	81.5	32.3
180 001 - 240 000	66 440	89.6	36.9
240 001 - 300 000	79 185	102.7	45.2
300 001 - 360 000	91 873	117.1	53.7
360 001 - 420 000	105 809	119.3	65.2
420 001 - 480 000	119 683	133.6	68.3
exceeding 480 000	119 683	133.6	68.3

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 employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of 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 the distance travelled for business purposes does not exceed 8 000 kilometers per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of 316 cents per kilometer, regardless of the value of the vehicle.

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

FRINGE BENEFITS

Employer-owned vehicles

- The taxable value is 3.5% of the determined value (the cash cost including VAT) per month of each vehicle. 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.

- 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 travelled 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.

CORPORATE TAX RATES
YEARS OF ASSESSMENT ENDING BETWEEN 1 APRIL 2012 AND 31 MARCH 2013

NORMAL TAX		
Companies and close corporations	Basic rate	28%
Personal service provider companies	**Basic rate**	**28%**
Foreign resident companies which earn income from a SA source	**Basic rate**	**28%**

SMALL BUSINESS CORPORATIONS

Tax rates for qualifying **small business corporations** will be as follows:

Taxable Income (R)	**Rate of Tax (R)**
0 – 63 556	0%
63 557 – 350 000	7% of the amount above 63 556
350 001 and above	20 051+ 28% of the amount above 350 000

MICRO BUSINESSES

Financial year ending on 29 February 2013

Taxable turnover (R)	**Rate of tax (R)**
0 – 150 000	0%
150 001 – 300 000	1% of the amount above 150 000
300 001 – 500 000	1 500 + 2% of the amount above 300 000
500 001 – 750 000	7 500 + 4% of the amount above 500 000
750 001 and above	20 000 + 6% of the amount above 750 000

SECONDARY TAX ON COMPANIES (STC)

The STC rate remains unchanged at 10%. Until the 31 March 2012.
EFFECTIVE CGT RATES

Capital gains on the disposal of assets are included in taxable income.

Maximum effective rate of tax:
Individuals and special trusts 13.3%
Companies 18.6%
Other trusts 26.7%

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/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 R30 000 capital gain or capital loss is granted to individuals and special trusts.
- small business exclusion of capital gains for individuals (at least 55 years of age) of R1.8 million 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.

OTHER TAXES DUTIES AND LEVIES

Value-added Tax (VAT)
VAT is levied at the standard rate of 14% 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 and a vendor making taxable supplies of more than R50 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:

Value of property (R)	**Rate**
0 – 600 000	0%
600 001 – 1 000 000	3% of the value above R600 000
1 000 001 – 1 500 000	R12 000 + 5% of the value exceeding R1 000 000
1 500 001 and above	R37 000 + 8% of the value exceeding R1 500 000

Estate Duty
Estate duty is levied at a flat rate of 20% on property of residents and South African property of non-residents. 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 value of property donated.
- 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 gifts not exceeding R10 000 per annum in total.
- Dispositions between spouses 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.

22 February 2012