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Financial & Taxation
Directory 2012/13

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The contents of this publication incorporate the budget proposals tabled in Parliament on 22 February 2012 together with appropriate amending legislation to that date. Applicable laws, rules, proposals, practices and regulations often change and have varying implementation dates. Furthermore, the information provided is only intended to serve as a general guideline and professional advice should be sought before making any decision.

Salient features of the budget proposals are summarised below for ease of reference.

Personal Income Tax Rates

The minimum tax threshold increases from R59 750 to R63 556 for persons under the age of 65. For persons aged from 65 to 74 the tax threshold increases from R93 150 to R99 056 and for persons aged 75 and older the tax threshold increases from R104 261 to R110 889.

The primary rebate increases from R10 755 to R11 440. The secondary rebate for individuals aged 65 and older increases from R6 012 to R6 390.

The third rebate for individuals aged 75 and older increases from R2 000 to R2 130.

The maximum marginal tax rate at 40% is applicable to taxable income above R617 000 (previously R580 000).

Interest and Dividend Income Exemption

The domestic interest exemption remained the same at R22 800 for taxpayers aged under 65 and at R33 000 for taxpayers aged 65 and over.

The foreign interest and foreign dividend exemption of R3 700 was deleted in terms of the 2011 amendments with effect from the 2013 tax year.

Medical Expenses

For the 2013 year of assessment, a medical scheme contribution tax credit will be available to taxpayers who belong to a medical scheme, set at the following fixed amounts per month:

- R230 per month for contributions in respect of the taxpayer with a further R230 for the first dependant;
- R154 per month for contributions in respect of each additional dependant.

Contributions to medical schemes made by taxpayers who are aged 65 years or older will be fully allowable as a deduction.

A system consisting solely of credits for medical expenses will be introduced with effect from 1 March 2014. Taxpayers aged 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 allowable contribution limits plus out of pocket expenses into a tax credit of 33.3%. In respect of taxpayers under the age of 65 years, the conversion to credit will apply to medical scheme contributions in excess of four times the contribution limits plus out of pocket expenses at a rate of 25%.

Capital Gains Tax

The inclusion rates for capital gains tax will be increased. For individuals it will increase from 25% to 33.3%. For other persons, it will increase form 50% to 66.6%.

The annual capital gain/loss exclusion for individuals and special trusts increases from R20 000 to R30 000.

The annual capital gains exclusion on death has increased from R200 000 to R300 000.

The primary residence exclusion for individuals will increase from R1.5 million to R2 million.

The annual capital gains exclusion on disposal of a small business by an individual aged 55 years or older has increased from R900 000 to R1.8 million.

Tax Administration Bill

The Bill has been approved by Parliament and is expected to be promulgated during 2012.

Other Developments

Employer contributions to retirement funds on behalf of an employee will be a taxable fringe benefit in the hands of the employee. Individuals will from 1 March 2014 be allowed to deduct up to 22.5% or 27.5%, depending on their age, of the higher of their employment or taxable income in respect of contributions to pension, provident or retirement annuity funds with a maximum annual deduction of R250 000 or R300 000.

Dividends tax becomes effective from 1 April 2012, at a rate of 15%, and STC will be discontinued from the same date.

A national gambling tax based on gross gambling revenue will be introduced with effect from 1 April 2013. It will take the form of an additional 1% national levy on a uniform provincial gambling tax base. A similar tax base will be used to tax the national lottery.

National health insurance will be phased in over 14 years.

THE CALCULATION OF TAX PAYABLE - INDIVIDUALS 2013 YEAR OF ASSESSMENT

Gross Income	....
Less: Exempt Income (see page 11)	....
Income	....
Less: Deductions (see pages 12 - 14)	----------
Add: 33.3% of Capital Gain (see pages 39 - 45)	....
Less: S 18A Donation deduction (see page 13)	______
Less: S 18 Medical expenses (see pages 12 - 13)	______
Taxable Income	______
Tax per Tables (see page 5)	....
Less: Rebates (see page 6)	....
Normal Tax Payable	______
Less: Medical scheme fees tax credit (see pages 12 - 13)	______
Provisional tax paid (see pages 23 - 24)	______
Foreign tax credits (see page 37)	______
PAYE/SITE paid (see page 24 - 25)	______
Tax due	______

TAX RATES: INDIVIDUALS AND TRUSTS

YEAR ENDED 28 FEBRUARY

INDIVIDUALS

Rebates	**2011**	**2012**	**2013**
Primary Rebate	R10 260	R10 755	R11 440
Age Rebate * – 65 and over	R5 675	R6 012	R6 390
Third Rebate* – 75 and over		R2 000	R2 130
* Additional to primary rebate			
Tax Threshold			
Under 65	R57 000	R59 750	R63 556
65 and over	R88 528	R93 150	R99 056
75 and over		R104 261	R110 889

INDIVIDUALS AND SPECIAL TRUSTS

Taxable Income R	2013 Tax Liability R
0 – 160 000	**18% of each R1**
160 001 - 250 000	**28 800 + 25% of the amount over 160 000**
250 001 - 346 000	**51 300 + 30% of the amount over 250 000**
346 001 - 484 000	**80 100 + 35% of the amount over 346 000**
484 001 - 617 000	**128 400 + 38% of the amount over 484 000**
617 001 and above	**178 940 + 40% of the amount over 617 000**

Taxable Income R	2012 Tax Liability R
0 – 150 000	18% of each R1
150 001 - 235 000	27 000 + 25% of the amount over 150 000
235 001 - 325 000	48 250 + 30% of the amount over 235 000
325 001 - 455 000	75 250 + 35% of the amount over 325 000
455 001- 580 000	120 750 + 38% of the amount over 455 000
580 001 and above	168 250 + 40% of the amount over 580 000

TRUSTS (Other than Special Trusts)

Taxable Income	Rate of Tax
2013	**40%**
2012	40%

TAX RATES: CORPORATES

YEAR OF ASSESSMENT ENDING BETWEEN
1 APRIL 2012 - 31 MARCH 2013

COMPANIES AND CLOSE CORPORATIONS

Taxable Income (R)	Rate of Tax (%)
Small Business Corporations	
0 - 63 556	0%
63 557 - 350 000	7% of taxable income above R63 556
350 001 and over	20 051 + 28% of taxable income above R350 000

Micro Businesses

Qualifying businesses with a turnover of up to R1 million may elect to be taxed upon qualifying turnover. See page 28 for table of rates.

Companies and Close Corporations other than certain gold mining companies and special entities referred to on this page	28%
Public Benefit Organisations and Recreational Clubs (on non-exempt income)	28%
Personal Service Providers, Companies and Close Corporations	28%
Dividends Tax	15%

With effect from 1 April 2012, STC will be replaced with a dividends withholdings tax which, unlike STC, is a tax at shareholder level. The rate of 15% is subject to double tax treaty relief.

Local Branch of Foreign Company

Normal tax rate	28%

Long-term Insurers

Individual policyholder fund	30%
Company policyholder and Corporate fund	28%
Untaxed policyholder fund	0%

SAVING IN TAX: 2013 vs 2012

Comparison between 2013 and 2012 taxes payable

Individuals under 65 years

Taxable Income	2012 Rates	Proposed Rates	Tax Reduction	Percentage Reduction
R	R	R	R	%
65 000	945	260	-685	-72.5%
80 000	3 645	2 960	-685	-18.8%
100 000	7 245	6 560	-685	-9.5%
120 000	10 845	10 160	-685	-6.3%
150 000	16 245	15 560	-685	-4.2%
200 000	28 745	27 360	-1 385	-4.8%
250 000	41 995	39 860	-2 135	-5.1%
300 000	56 995	54 860	-2 135	-3.7%
400 000	90 745	87 560	-3 185	-3.5%
500 000	127 095	123 040	-4 055	-3.2%
750 000	225 495	220 700	-4 795	-2.1%
1 000 000	325 495	320 700	-4 795	-1.5%

Individuals aged between 65 years and 74 years

Taxable Income	2012 Rates	Proposed Rates	Tax Reduction	Percentage Reduction
R	R	R	R	%
120 000	4 833	3 770	-1 063	-22.0%
150 000	10 233	9 170	-1 063	-10.4%
200 000	22 733	20 970	-1 763	-7.8%
250 000	35 983	33 470	-2 513	-7.0%
300 000	50 983	48 470	-2 513	-4.9%
400 000	84 733	81 170	-3 563	-4.2%
500 000	121 083	116 650	-4 433	-3.7%
750 000	219 483	214 310	-5 173	-2.4%
1 000 000	319 483	314 310	-5 173	-1.6%

Individuals aged 75 years and older

Taxable Income	2012 Rates	Proposed Rates	Tax Reduction	Percentage Reduction
R	R	R	R	%
120 000	2 833	1 640	-1 193	-42.1%
150 000	8 233	7 040	-1 193	-14.5%
200 000	20 733	18 840	-1 893	-9.1%
250 000	33 983	31 340	-2 643	-7.8%
300 000	48 983	46 340	-2 643	-5.4%
400 000	82 733	79 040	-3 693	-4.5%
500 000	119 083	114 520	-4 563	-3.8%
750 000	217 483	212 180	-5 303	-2.4%
1 000 000	317 483	312 180	-5 303	-1.7%

RESIDENCE AND SOURCE OF INCOME

South African residents are taxed on their world-wide income, whilst non-residents are subject to tax on their South African sourced income (subject to specific exclusions, exemptions or deductions as well as the provisions of any applicable Double Taxation Agreement).

Definition of Resident

Individuals

A natural person is a resident if:

- he or she is ordinarily resident in South Africa; or
- is not ordinarily resident in South Africa but:
  - is physically present in South Africa for a period exceeding 91 days in aggregate during the current year of assessment and for a period exceeding 91 days in aggregate during each of the prior 5 years of assessment; and
  - was physically present in South Africa for a period exceeding 915 days in aggregate during the previous 5 years of assessment.

If a person is deemed to be a resident in terms of the physical presence test above, he or she is deemed to be a resident from the first day of the relevant year of assessment.

Where a person falls within the above physical presence tests, but has been outside of South Africa for a continuous period of at least 330 full days after ceasing to be physically present in South Africa, then he or she will be deemed to be non-resident from the time of departure.

Furthermore, a person will not be regarded as a resident if such person is deemed to be exclusively a resident of another country for purpose of application of a double taxation treaty.

Companies or Entities other than natural persons

A company or juristic entity will be considered to be resident in South Africa if it is incorporated, established, formed or has its place of effective management in South Africa.

Foreign Branches of South African Residents

The taxable income of a foreign branch belonging to a local resident, person or entity will also be subject to South African income tax.

Losses in foreign branches cannot be offset against income from a South African source and must be carried forward for offset against foreign sourced income in the following years.

Controlled Foreign Companies (CFC)

A Controlled Foreign Company (CFC) means any foreign company where more than 50% of the total participation rights in that foreign company are held or more than 50% of the voting rights in that foreign company are directly or indirectly exercisable by one or more residents.

A CFC's income is imputed to South African residents at the same ratio as the participation rights of each resident in such CFC, subject to a number of exclusions.

The taxable income of a CFC is determined as if the CFC was a South African taxpayer and a South African resident, subject to a number of exceptions.

Foreign Tax Credits / Deduction

A resident may deduct the foreign taxes paid in respect of foreign sourced income from the South African tax attributable to that income, subject to certain limitations. Any excess credits may be carried forward for 7 years. Alternatively, relief may be claimed if a Double Taxation Treaty applies.

Where a resident is subject to foreign tax in respect of South African sourced income, a deduction of the foreign tax paid may be claimed, subject to certain limitations.

Foreign taxes on taxable income relating to services rendered by South African residents in South Africa may alternatively be claimed as a credit against South African tax payable on that amount of taxable income. The credit is limited to the South African tax payable on that amount of taxable income.

Non-Residents

As stated above, non-residents are taxed on South African source income subject to a number of exceptions and the provisions of various double taxation agreements.

There are currently more than 70 comprehensive treaties in force and numerous other treaties are in various stages of finalisation.

Some of the more important principles relating to South African sourced income earned by non-residents are as follows:

- The profits of local branches of foreign companies are currently taxed at a rate of 33%, but no dividend or similar tax is payable on the repatriation of branch profits. This rate has reduced to 28%.
- There are comprehensive transfer pricing and thin capitalisation rules applicable to transactions between local entities and non-resident related parties.
- Interest earned by non-residents is exempt from income tax unless a non-resident has a permanent establishment in South Africa or is present in South Africa for more than 183 days. However, a withholding tax at 15% on certain interest paid to non-residents will apply from 1 January 2013. For more detail on this withholding tax, see 'Withholding Tax on Interest' in this guide.
- Royalty payments to non-residents are currently subject to a withholding tax of 12%. This rate will increase to 15%.
- Dividends paid to non-residents are subject to a 15% dividend withholding tax from 1 April 2012.
- The disposal of immovable property by a non-resident is subject to withholding tax, subject to certain exceptions.

TAXATION OF INDIVIDUALS

Subject to the provisions of any particular Double Taxation Treaty, South African resident individuals are taxed on their worldwide income whilst non-resident individuals are subject to tax on income earned from a South African source (actual or deemed). There is one set of income tax tables for all individuals, regardless of marital status or number of dependants. Tax payable is reduced by a primary rebate applicable to all individuals and secondary and tertiary, age related, rebates.

Married Persons

Married persons are generally taxed as separate taxpayers and each spouse is taxed on his or her own income. Exceptions to this rule include:

- Any income which is received by or accrued to a spouse in consequence of a donation, settlement or disposition by the other spouse is deemed to be income of the spouse who made such donation/settlement/disposition if done solely or mainly to avoid tax.
- Any income derived by one spouse from the other spouse or a partnership or private company of the other spouse, or derived from a trade which is connected to the trade carried on by the other spouse, is taxed in the hands of the other spouse to the extent that the amount of income is excessive in the circumstances.
- If a couple is married in community of property, the net property rentals and/or interest income received by them is deemed to accrue in equal shares to each spouse provided that the underlying property forms part of the joint estate. Any income which does not fall into the joint estate is taxed in the hands of the spouse entitled thereto. Similar principles apply in respect of capital gains and losses made by persons married in community of property.

Minor Children

Minor children (under the age of 18 years) may be taxpayers in their own right and are taxed on income received by or accrued to them. Where the income arises as a result of the child's parent having made a donation or transferring income to the child, the resultant income will be taxed in the parent's hands.

EXEMPT INCOME

The following income is exempt from income tax in the hands of individuals:

- Qualifying pensions received by or accrued to a resident from any source outside South Africa subject to certain exclusions;
- The capital portion of a purchased annuity;
- Remuneration received from services rendered outside the Republic, for longer than 183 days, provided the period of absence includes at least 60 continuous days. This exemption is subject to certain exclusions;
- War and certain disability pensions;
- Dividends received from South African resident companies, subject to certain exceptions;
- Certain dividends received from non-resident companies;
- South African sourced interest earned by individuals, up to a maximum of R22 800 per tax year (R33 000 for persons aged 65 years and over).
- Interest earned by non-residents who are absent from South Africa for 183 days or more during the tax year and who do not carry on business through a permanent establishment in South Africa during the tax year (note, however, that from 1 January 2013, withholding tax on interest payments to non-residents will apply); and
- UIF and Workmen's Compensation benefits.

Foreign Employment

Employees who are residents of South Africa are, in the absence of an exemption, subject to tax on remuneration earned whilst they render services abroad.

Employees are exempt from tax on remuneration earned for services rendered outside South Africa, but only if an employee is outside South Africa for more than 183 days and is absent for at least one continuous period of 60 days, during a 12 month cycle. This exemption is subject to certain exclusions.

Other remuneration items that relate to foreign employment may also qualify for this exemption, for example, bonuses, leave pay or the relevant portion of certain share options.

DEDUCTIONS

Medical and Disability Expenses

Medical Expenditure

Medical expenditure includes:

- any contributions to a medical scheme made in respect of the taxpayer and his/her spouse and dependants; and
- qualifying medical expenditure including all amounts paid in respect of medical, dental and hospitalisation expenses, payments to pharmacists for medicines obtained on prescription and payments to nursing homes or a registered nurse/midwife for services supplied to the taxpayer, his/her spouse, and his/her children.

Qualifying medical expenses do not include expenses that have been recovered from a medical scheme.

Only the person who paid an expense may claim it. Payments by an employer which are treated as taxable benefits are, however, deemed to have been paid by the employee.

Deductions allowable are as follows:

- In the case of taxpayers aged 65 years and over:
  - There is no limit on the amount of contributions to medical schemes and qualifying medical expenditure which may be claimed as a deduction.
- In the case of taxpayers under the age of 65, a hybrid system consisting of tax credits and tax deductions applies for years of assessment beginning on 1 March 2012.
  - A rebate (tax credit) for medical aid contributions is allowed as a credit against tax payable. The amount of the rebate is limited to:
    - › R230 where the contributions are in respect of the taxpayer only;
    - › R460 in respect of the taxpayer and one dependant;
    - › R460 plus R154 each, in the case of additional dependants.
  - A deduction from taxable income is allowed for:
    - › so much of the value of medical aid contributions which exceeds four times the contribution limits above and the sum of other qualifying medical expenses to the extent such amounts exceed 7.5% of taxable income excluding retirement lump sum withdrawal benefits.
- In the case where the taxpayer, his or her spouse or child is disabled, the rebate and deduction for medical aid contributions is as described above for under 65s however, the deduction for qualifying medical expenditure is unlimited.

A system consisting solely of credits for medical expenses will be introduced with effect from 1 March 2014. Taxpayers aged 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 allowable contribution limits plus out of pocket expenses into a tax credit of 33.3%. In respect of taxpayers under the age of 65 years, the conversion to credit will apply to medical scheme contributions in excess of four times the contribution limits plus out of pocket expenses at a rate of 25%.

With effect from 1 March 2014, ex-employees will no longer continue to enjoy a tax free benefit on employer contributions to medical aid funds.

Entertainment

Such expenditure may not be claimed against employment income (remuneration) where such remuneration is mainly fixed and is not in the form of commission on sales.

Donations to Public Benefit Organisations

Donations to qualifying Public Benefit Organisations (PBOs) are deductible up to a maximum calculated at 10% of taxable income before deducting medical expenses. A specific mechanism allows for payroll giving whereby an employee may enjoy a reduction of PAYE withheld as a consequence of making eligible donations.

Home Study Expenses

A deduction for home study costs will only be allowed if:

- a study is regularly and exclusively used for the purpose of the taxpayer's trade and is specifically equipped for such purpose; and
- in the case of an employee who derives income mainly from commission, his or her duties are mainly performed other than in an office provided by the employer; and
- in the case of other employees, his or her duties are mainly performed in the home study.

Contributions to Pension, Retirement Annuity and Provident Funds

Pension Funds
Any person may claim a deduction of his or her current contributions to a pension fund. The deduction is limited to the greater of:

- R1 750; or
- 7,5% of his remuneration derived from retirement funding employment.

Any excess may not be carried forward to the following year of assessment.

A maximum deduction of R1 800 per annum is allowable for arrear contributions to a pension fund. Any excess over R1 800 may be carried forward to the following year of assessment.

Retirement Annuity Funds
A taxpayer may claim his or her current contributions and, provided they were included in the taxpayer's gross income as a taxable fringe benefit, his employer's contributions to a retirement annuity fund as a deduction, limited to the greatest of:

(i) 15% of income from non-retirement funding employment, excluding specified income (e.g. lump sums received from retirement funds on or after 1 October 2007);
(ii) R3 500 less any deduction for current contributions to a pension fund; or
(iii) R1 750.

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

The maximum deduction of arrear contributions to a retirement annuity fund is R1 800 per annum. Any excess may be carried forward to the following year of assessment.

Provident Funds

Contributions to approved provident and benefit funds are not allowable as a deduction from an individual's income.

Proposed changes

As from 1 March 2014, individual taxpayers aged under 45 years will be allowed to deduct up to 22.5%, and 27.5% if aged 45 years or older, of the higher of their employment or taxable income in respect of contributions made to pension, provident or retirement annuity funds. The annual deductions will be limited to R250 000 and R300 000 for taxpayers aged below 45 years and 45 years and above respectively.

SHARE INCENTIVE SCHEMES

Employees and directors are subject to tax on gains derived from rights that they obtain in terms of a share incentive scheme. Rights obtained prior to 26 October 2004 are governed by section 8A. Rights obtained on or after 26 October 2004 are governed by section 8C. Broad-based share incentive schemes are governed by section 8B (see pages 46 - 47).

The more important features of section 8C are as follows:

- Employees are subject to tax on any share, share option, convertible instrument or member's interest in a close corporation which is acquired from an employer. The gain or loss will be determined on the vesting date (see below).
- The gain or loss is the difference between the amount paid by the employee to acquire the equity instrument and its market value on the vesting date.
- The date of vesting depends on whether the instrument is restricted or unrestricted.
- Unrestricted instruments trigger a taxable event when acquired whereas restricted instruments usually trigger such an event once the restrictions cease to have effect.
- The amount of any gain determined on the vesting of an equity instrument is taxed as income and will be subject to employees' tax.
- If an employee purchases shares in terms of a share incentive scheme and the transaction is cancelled or the shares are repurchased from the employee, the employee will not be taxed on the amount received to the extent that it does not exceed the amount paid for the shares.

THE TAXATION OF FRINGE BENEFITS

Fringe benefits arising from employment are taxed as follows:

A general principle regarding the taxation of such benefits is that the taxability of the fringe benefit is unaffected whether the benefit is granted by the employer or by an 'associated institution' in relation to the employer. Where the benefit is granted to any person other than the taxpayer by virtue of the taxpayer's employment, it is deemed to be granted to the taxpayer.

Residential accommodation for foreigners working in the Republic

A taxable fringe benefit will arise if an employer provides residential accommodation to a foreign employee working in South Africa subject to the following relief available to expatriates.

The foreign employee will be exempt from fringe benefits tax on residential accommodation for a maximum period of two years from the date of his arrival in the Republic. The residential accommodation must be provided for the purpose of performing the duties of employment.

This concession is limited to R25 000 per month. Where the value of the benefit exceeds R25 000 per month, the fringe benefit is determined by taking the greater of the residential accommodation formula or actual costs less the R25 000 exemption. If an employee is in the Republic for less than 90 days the cap will not apply.

This special tax-free concession does not apply if a foreign employee was present in the Republic for a period exceeding 90 days during the year of assessment immediately preceding the date of arrival to commence his or her duties. In that case, the use of the accommodation is taxed as per the rules set out in 'residential accommodation' below.

Bursaries

Bona fide bursaries or scholarships granted by an employer to an employee or employee's relative will be exempt in the hands of the employee. However, this exemption will not apply:

- if the bursary or scholarship is granted to any employee and the employee does not agree to reimburse the employer if the employee fails to complete the studies; or
- if the bursary or scholarship is granted to an employee's relative and the employee earns more than R100 000 per annum; or
- if the bursary or scholarship is granted to an employee's relative, to so much of the bursary or scholarship as exceeds R10 000 per annum.

Acquisition of asset at less than actual value

A taxable benefit arises whenever an asset (other than money) has been acquired by an employee from:

- his employer; or
- an associated institution; or
- any other person by arrangement with his employer.

The taxable benefit is the difference between the market value of the asset and the consideration given by the employee.

VAT on certain fringe benefits is payable by the employer on this difference at a rate of 14/114.

The first R5 000 of an asset awarded is exempt per tax year if it comprises:
- a bravery award; or
- a long service award (unbroken period of service of 15 years or any subsequent unbroken period of 10 years).

Travel Allowances

Use of Employee's own vehicle

If an employee uses his own motor vehicle for business purposes and receives an allowance from his employer to defray expenditure, the allowance is tax-free to the extent that it is expended for business purposes.

Either actual or deemed costs relating to actual business travel may be claimed. Deemed costs are determined based on the value of the vehicle as per the table below. The value of the vehicle is essentially the purchase price including VAT, but excluding finance charges. Private travelling includes travelling between the employee's place of residence and his place of employment.

Where business travel is 8 000 kilometres or less for a year of assessment, an employee may receive a reimbursement of up to 316 cents per kilometre on a tax-free basis, provided that no other allowance or reimbursement is received by the employee in respect of the vehicle.

For PAYE purposes, 80% of the monthly travel allowance is regarded as remuneration and is subject to PAYE. However, if the employer is satisfied that at least 80% of the use of the motor vehicle will be for business purposes, only 20% of the monthly travel allowance will be subject to PAYE.

The following methods may therefore be applied in determining business travel deductions against travel allowances received:
- a taxpayer may furnish accurate data and deduct actual costs relating to business travel. Finance charges and wear and tear are, however, limited where a vehicle costs more than R480 000, and in this case, lease deductions are limited to the deemed fixed cost applicable to a vehicle with a cost of R480 000 per the table below; or
- a taxpayer may use actual business kilometres which are applied to deemed costs. To this end, a log book must be maintained.

Deemed costs are determined according to the following table:

Value of the Vehicle (including VAT)	**Fixed Cost**	**Fuel Cost**	**Maintenance Cost**
R	R	c	c
0 - 60 000	19 492	73.7	25.7
60 001 - 120 000	38 726	77.6	29.0
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

The fixed cost is divided by total kilometres (pro-rated if the vehicle is not used for business purposes for the full year). The fixed cost per kilometre, fuel costs and maintenance costs are then added to arrive at a total rate per kilometre which is applied to the actual business kilometres travelled. The fuel cost and maintenance cost components may only be claimed where the employee bears the full cost of fuel or of maintenance.

Right of Use of Employer provided Motor Vehicle(s)

A taxable benefit accrues where an employee is granted the right to use an employer provided motor vehicle free of charge or for a consideration less than the value of the private use of that vehicle.

The monthly taxable benefit for employer owned vehicles used by employees is 3.5% of the determined value of the vehicle (3.25% where the vehicle is subject to a maintenance plan). The same percentages also apply to the taxable benefit for a second or subsequent vehicle granted by an employer to an employee or his family, where the vehicle is not used primarily for business purposes.

The 'determined value' of the vehicle is the original cash cost to the employer (including VAT) or the retail market value thereof in the case of a lease or donation. The determined value does not decrease in subsequent years. However, should the taxpayer not be the first employee to have use of the motor vehicle, and the taxpayer first obtains the right of the use of the vehicle more than 12 months after the employer acquired the vehicle, the determined value comprises the original value as determined above, depreciated by 15% per annum for each completed period of 12 months on the reducing balance method.

Where a log book is maintained and the employee pays the full cost of licensing, insurance or maintenance, on assessment a pro-rata reduction, based on actual costs, will be made.

Where a log book is maintained and the employee pays the full cost of fuel for private travel, on assessment a pro-rata reduction, based on the deemed fuel cost per the travel allowance table above, will be made.

In the following cases, private use of a motor vehicle will not give rise to a taxable benefit:

- if the vehicle is available to, and used by, employees of the employer in general; the private use is of a casual nature or merely incidental to the business use; and the vehicle is not normally kept at or near the employee's home when not in use outside business hours (i.e. pool car); or
- if the nature of the employee's duties are such that he is regularly required to use the vehicle outside his normal hours of work and he is not permitted to use such vehicle for private purposes other than travelling between his place of residence and work, or private use which is infrequent or merely incidental to its business use.

For PAYE purposes, 80% of the fringe benefit as determined above (without any reduction for costs borne by the employee) is regarded as remuneration and is subject to PAYE. However, if the employer is satisfied that at least 80% of the use of the motor vehicle will be for business purposes, only 20% of the fringe benefit will be subject to PAYE.

Interest on Loans

The taxable benefit arising from interest-free or low interest loans granted to employees will be valued at the difference between the official interest rate and the interest (if any) payable by the employee.

The official rate is determined with reference to the repurchase ('repo') rate. Where the loan is denominated in rands, the official rate is 100 basis points above the repo rate. Where the loan is denominated in foreign currency, the official rate is 100 basis points above the equivalent rate to the repo rate for that currency. Where the repo rate changes during a month, the official rate changes from the beginning of the following month. No benefit is placed on a casual loan to an employee up to R3 000 or a study loan to enable the employee to further his or her own studies.

Where an employee has utilised the loan to produce income, the interest taxed, as above, is deductible in terms of the general deduction formula.

Where a housing subsidy has been paid by an employer, then the full amount will be taxable in the hands of the employee.

Subsistence Allowance

Employees who are absent from their usual place of residence for the purpose of their duties for at least one night, are entitled to the following tax-free allowances:

- where the accommodation to which that allowance or advance relates is in South Africa, an amount equal to:
- R93 per day if the allowance/advance is paid to defray the cost of incidental subsistence expenses; or
- R303 per day if the allowance/advance is paid to defray the cost of meals and incidental subsistence expenses, i.e. beverages, room service, etc.; and
- where the accommodation to which the allowance relates is outside of South Africa, a foreign subsistence allowance which varies from country to country.

These allowances only apply to continuous periods not exceeding 6 weeks away from home.

A comprehensive SARS list of foreign subsistence allowances may be viewed on our website at *www.bdo.co.za/documents/Subsistenceallowances.pdf*.

Right of use of an Asset (other than Residential Accommodation or Motor Vehicles)

A taxable benefit arises whenever an employee is granted the right to use an asset for his private or domestic purposes, either free of charge or for a consideration which is lower than the value of use.

Exclusions:

- private use which is incidental to the use of the asset for purposes of the employer's business;
- amenities enjoyed at work or qualifying recreational facilities;
- equipment or machinery used by employees for private use for short periods of time and the value of the use is negligible;
- assets consisting of books, literature, recordings or works of art; or
- private use of cellular phones, laptops and related hardware and software which are mainly used for business purposes.

Residential Accommodation

If an employer or associated institution provides residential accommodation which is owned by the employer to an employee (in which property the employee does not have any interest), the employee will be taxed on the difference between the rental value for the year, as determined by the following formula, and the amount paid by him or her.

Where the employer or associated institution does not own the accommodation but it is customary and necessary for the employer in the industry concerned to provide free or subsidised accommodation to its employees, the benefit is provided solely for bona fide business purposes, other than the obtaining of a tax benefit and the employee does not have an interest in the accommodation, then the employee will also be taxed on the difference between the rental value for the year, as determined by the following formula, and the amount paid by him or her:

$$(A-B) \times \frac{C}{100} \times \frac{D}{12}$$

A = the remuneration of the employee in the preceding year of assessment, including directors fees, but excluding taxable benefits from the use of a motor vehicle or residential accommodation.

If the employee was employed by the current employer for only part of the preceding year, his salary is grossed up to that of a full year, but if he was not employed by the current employer in the previous year, 'A' will be his first month's salary divided by the number of days in that month and multiplied by 365.

B = R63 556 except for the following situations where it is nil:

(i) where the employer is a private company controlled directly or indirectly by the employee or his spouse even if the employee is only one of the persons controlling the company; or

(ii) where the employee or his spouse or minor child has an option or right of pre-emption granted by the employer or another person by arrangement with the employer whereby they may become the owner of the accommodation.

C = 17, or 18 if the accommodation consists of at least four rooms and is unfurnished and power or fuel is supplied by the employer, or furnished but without the supply of power or fuel, and 19 if furnished and power or fuel is supplied.

D = the number of months during the current year in which the employee was entitled to occupation.

If the employee has an interest in the property, the value of the benefit is the greater of the amount under the formula and the total amount of the rentals payable for such accommodation by the employer together with any other expenditure defrayed by the employer in respect of such accommodation.

Holiday Accommodation

If the accommodation is hired by the employer, the employee will be taxed on all costs borne by the employer (including meals, refreshments and services). In any other case, the employee will be taxed on an amount equal to the prevailing rate per day at which the accommodation could normally be let to a person who is not an employee.

Payment of Employee's Debts

A taxable benefit arises where an employer has paid an amount owing by the employee to a third party, without requiring reimbursement from the employee, or has released an employee from an obligation to pay an amount owing by the employee to the employer. The amount of the benefit is the amount of the debt settled.

Professional subscriptions paid by the employer are, however, exempt if membership is a condition of employment, as are professional indemnity insurance premiums paid by the employer.

Meals and Refreshments

An employee is taxed on the cost to the employer of any meal or refreshment provided by the employer, subject to the following exclusions, which apply to meals or refreshments:

- supplied in a canteen or dining room operated for employees;
- supplied during business hours, extended working hours or a special occasion; or
- enjoyed by an employee providing entertainment on behalf of the employer.

Free or Cheap Services

Services provided to an employee by his employer (whether the services are rendered by the employer or some other person) for no cost or for an amount lower than the cost of such services to the employer, gives rise to a taxable fringe benefit in the hands of the employee. The employee is taxed on the difference between the cost to the employer of the service and the amount paid by the employee.

The following exclusions apply:

- certain circumstances where the employer is engaged in the business of conveying passengers;
- transport services conveying employees between their homes and work;
- telephone, cellphone or other communication services if used mainly for business purposes;
- services rendered by the employer to assist with the better performance of employees' duties; and
- travel facilities granted to the spouse or minor children of an employee who is stationed more than 250km away from his usual place of residence for more than 6 months in a tax year.

Medical Aid Contributions

Direct or indirect contributions by an employer to a medical aid or other benefit fund are fully taxable subject to the exceptions listed below.

No taxable fringe benefit arises if:

- the employee is over 65 years of age;
- the employee retired due to old age, ill health or other infirmity; or
- the benefit accrues to a dependant following the death of an employee or a retired employee.

With effect from 1 March 2014, employer contributions to medical schemes on behalf of ex-employees will be deemed a taxable fringe benefit in the hands of the ex-employees, and the ex-employee will be able to claim appropriate tax credits.

Insurance Policy Premiums

With effect from 1 March 2012 the amount of premiums paid by an employer to an insurer under an insurance policy for

the direct or indirect benefit of an employee or his nominee is a taxable fringe benefit in the hands of the employee. Income continuation policy premiums taxed as above are however deductible in the hands of the employee.

Other Exemptions

The following benefits are exempt from tax:

- the value of a uniform, or an allowance paid for purposes of funding a uniform, which an employee is required to wear while he or she is on duty, provided that the uniform is clearly distinguishable from ordinary clothing; and
- the cost of the transfer of an employee to another place of employment arising out of the appointment or resignation of an employee at the insistence of the employer. Included in this exemption are transportation costs, costs in respect of the sale of employee's previous residence, settling in costs and costs of hiring temporary accommodation.

Employer's Obligations

The determination of the cash equivalent of any taxable benefit is to be made by the employer although the Commissioner may adjust the cash equivalent if he is of the opinion that a determination is incorrect.

An employer is obliged to deduct PAYE on the value of the taxable fringe benefits.

PROVISIONAL TAX

In the case of individuals, provisional payments are advance tax payments made in circumstances where the individual earns income which is not 'remuneration'. 'Remuneration' is a defined term and essentially covers employment and other income which is subject to PAYE.

The following individuals who derive income which is not remuneration are nevertheless exempt from provisional tax so long as the income or any part of the income is not derived from the carrying on of a business:

- Individuals under the age of 65 whose taxable income does not exceed the tax threshold, or whose taxable income from interest, dividends and rental from the letting of fixed property will not exceed R20 000; or
- Individuals who will be 65 on the last day of the year of assessment, who are not directors of private companies or members of close corporations, whose taxable income will not exceed R120 000 for the year of assessment and where such income is only derived from remuneration, interest, dividends and/or rental from the letting of fixed property.

Note that with effect from 1 April 2012, the above two exemptions will be amended to specifically refer to foreign dividends in addition to dividends.

Provisional Returns - Individuals

First Provisional Tax Return

Due within the first 6 months of the tax year - 31 August.

The first payment represents 50% of the tax due on the 'basic amount' less PAYE and foreign credits. The 'basic amount' is the taxable income per the most recent assessment, reduced by lump sums and capital gains. The 'basic amount' is escalated at 8% per annum when an assessment is more than a year in arrears. Consent is required to base one's calculations on an amount less than the 'basic amount'.

Second Provisional Tax Return

Due before the end of the tax year - 28 February.

Where taxable income is less than or equal to R1 million then the second provisional payment must be based upon an estimate of income which is not less than the lower of the 'basic amount' and 90% of actual taxable income, in order to avoid a 20% penalty.

Where taxable income exceeds R1 million, then an 80% level of accuracy is required between actual and estimated income for the current year, in order to avoid a 20% penalty. There is no fall-back on the historical 'basic amount' as above.

Third Provisional Tax Return

Should there be any remaining tax liability following the first and second provisional payments, then interest is charged, commencing 7 months after the tax year end for individuals.

Therefore, in order to avoid interest, individuals may make a 3rd voluntary top-up payment by 30 September of each year.

Interest is not, however, charged on late payments of provisional taxes in respect of the third provisional payment where an individual's taxable income does not exceed R50 000.

General

Interest and penalties paid are not deductible whereas interest earned on overpayments is taxable.

EMPLOYEES TAX (PAYE)

Employers are required to deduct employees' tax according to tax deduction tables supplied by SARS on all remuneration paid to employees unless otherwise instructed in terms of a tax deduction directive issued by SARS.

Directors of private companies, as well as members of close corporations, are subject to PAYE on the greater of their actual monthly remuneration or their 'deemed remuneration', unless they received at least 75% of their remuneration in the previous tax year in the form of fixed monthly payments of remuneration. In that case, such directors are taxed only on their actual remuneration.

STANDARD INCOME TAX ON EMPLOYEES (SITE)

SITE is a procedure through which the normal tax in respect of the first R60 000 of an employee's remuneration is finally determined by the employer.

SITE constitutes either a final or minimum liability and is thus not refundable, except in certain instances. The most important exclusions from the SITE system are:

- directors' remuneration;
- any travel allowance (although 80% is subject to PAYE);
- remuneration that may be set off against any assessed loss;
- remuneration from which the taxpayer is entitled to claim expenses of at least 1% of such remuneration;
- income from non-standard employment; and
- where the taxpayer's net remuneration for the year of assessment is less than the annual equivalent of R60 000.

From an administrative point of view the SITE liability is only calculated at the end of a tax period, but tax deductions are made on a monthly basis in terms of the employees' tax tables.

The SITE system is being phased out over 2 years with effect from 1 March 2011.

TAXATION OF LUMP SUM PAYMENTS

A lump sum benefit that is received from an employer and constitutes a 'severance benefit', is taxed on an aggregated basis together with lump sum benefits received from provident, pension and retirement annuity funds.

A 'severance benefit' is an amount received or accrued from an employer or an associated institution in respect of the termination or variation of office or employment if:

- the employee or holder of office is at least 55 years old;
- the termination or variation is due to permanent incapacity of holding the office or employment on the part of the employee or holder of office; or
- the termination or variation is a result of retrenchment (except where the employee or holder of office at any time held more than 5% of the shares or member's interests of the employer).

Severance benefits are taxed in accordance with a table, which contains the same rate bands as the 'retirement, death or retrenchment' table in respect of lump sums from pension, provident and retirement annuity funds set out below.

On Retirement, Death or Retrenchment

Pension Funds, Retirement Annuity Funds and Provident Funds

A maximum of one third of the taxpayer's entitlement from a pension or retirement annuity fund may be commuted to a lump sum.

With effect from 1 October 2007, the taxable portion of a lump sum from a pension, provident or retirement annuity fund as a result of death, retirement or retrenchment is calculated according to a table, after deducting:

- previously disallowed contributions; and
- transfers to approved funds.

The table applies cumulatively and is currently as follows:

Retirement, death or retrenchment

Lump Sum	Tax Liability
0 - R315 000	0%
R315 001 – R630 000	18% of the amount exceeding R315 000
R630 001 - R945 000	R56 700 + 27% of the amount exceeding R630 000
R945 001 and above	R141 750 + 36% of the amount exceeding R945 000

On Withdrawal from the Fund

The taxable portion of a lump sum from a pension, provident or retirement annuity fund as a result of withdrawal or resignation from the fund or certain non-approved transfers to other funds of the member, or amounts assigned to a former spouse in terms of a divorce order granted on or after 13 September 2007 is calculated according to the following table, after deducting:

- previously disallowed contributions; and
- transfers to approved funds.

The taxable portion of a lump sum upon withdrawal from a fund will be taxed separately from other taxable income. The rates are currently as follows:

Withdrawal

Lump Sum	Tax Liability
R0 - R22 500	0%
R22 501 - R600 000	18% of the amount exceeding R22 500
R600 001 – R900 000	R103 950 + 27% of the amount exceeding R600 000
R900 001 and above	R184 950 + 36% of the amount exceeding R900 000

The tables must be viewed cumulatively taking into account previous retirement, retrenchment, withdrawal or severance benefits.

TRUSTS

Trusts are separate fiscal entities and pay tax at a flat rate of 40% on income retained and not awarded to beneficiaries. Trusts do not qualify for the annual interest exemption nor the primary rebate.

Trusts pay Capital Gains Tax (CGT) on 66.6% of capital gains giving rise to an effective CGT rate of 26.7% (40% x 66.6%).

Various anti-avoidance provisions exist to combat the use of trusts for income splitting and tax avoidance structures. One such provision provides that any income earned by the trust as a result of a donation, settlement or disposition made by a person ('the donor'), which is not distributed, is deemed to be the income of that donor and taxed in his or her hands.

Another provides that, if income is distributed to beneficiaries who are minor children of the donor, the income is taxed in the hands of the donor. Also, if income is distributed to a non-resident, it is taxed in the hands of the donor. Similar provisions exist in respect of capital gains realised by or accrued to a trust.

Trusts play an important part in estate planning and if properly structured, managed and controlled can act as a significant shelter against future estate duties. With the introduction of CGT, the effectiveness of the use of trusts in estate planning has been somewhat reduced.

The legislation allows for a 'special trust' to be taxed at the normal income tax rates applicable to individuals and not the 40% flat rate. A 'special trust' is a trust that is created:

- solely for the benefit of a person who suffers from a mental illness or a serious physical disability, where that person is incapacitated from earning sufficient income for his or her maintenance or from managing his or her own financial affairs; or

- in terms of the will of a deceased person, where all the beneficiaries are surviving relatives of the deceased, the youngest of whom must be under the age of 21 as at the end of the relevant tax year.

COMPANIES AND CLOSE CORPORATIONS

Normal Taxation

Companies and Close corporations, other than certain gold mines and under the special circumstances described below, are taxed at a rate of 28%. A secondary tax on companies (STC) is levied on corporate entities upon declaration of dividends or deemed dividends (see page 30). From 1 April 2012 STC is to be replaced with dividends tax (see page31).

Branches of foreign companies conducting business in South Africa through a permanent establishment are taxed at 33%.

It has been proposed that this rate will be reduced to 28% when the dividends tax comes into effect on 1 April 2012.

Small Business Corporations (see definition below) are taxed at the following rates:

Taxable Income	Tax Liability
not exceeding R63 556	0%
R63 557 - R350 000	7% of the amount by which the taxable income exceeds R63 556
R350 001 and above	R20 051 + 28% of the amount by which the taxable income exceeds R350 000

Micro businesses (see definition below) with a turnover of up to R1 million may elect to be taxed on a presumptive basis on their taxable turnover. The rates of tax are as follows:

Turnover	Tax Liability
0 - R150 000	0%
R150 001 - R300 000	1% of each R1 above R150 000
R300 001 - R500 000	R1 500 + 2% of the amount above R300 000
R500 001 - R750 000	R5 500 + 4% of the amount above R500 000
R750 001 - R1 000 000	R15 500 + 6% of the amount above R750 000

This turnover based tax system is elective and qualifying businesses will be required to remain in the system for a

minimum of 3 years unless they no longer qualify, (e.g. if the turnover threshold is exceeded). For years of assessment commencing on or after 1 March 2012 the 3 year 'lock in period' has been relaxed. A micro business will be able to voluntarily exit the turnover tax system at the end of a year of assessment but will no longer be allowed to re-enter the turnover tax system.

A **Small Business Corporation** is a close corporation or private company (other than an employment company) of which:

- the entire shareholding or membership was held by natural persons throughout the year of assessment;
- the gross income did not exceed R14 million during the year of assessment;
- none of the shareholders or members at any time during the year of assessment held shares in any other company (other than listed companies, any portfolio in a collective investment scheme or qualifying body corporates, shareblock companies, certain associations of persons, venture capital companies, certain dormant entities and certain entities in liquidation or deregistration);
- not more than 20% of the gross income and capital gains consist of investment income and personal service income; and
- such company is not a personal service provider (PSP).

A **Micro Business** is a company, close corporation or individual (including deceased and insolvent estates) where qualifying turnover is less than R1 million. This amount is reduced proportionately for periods of less than a full year.

A business will not qualify as a Micro Business in certain circumstances, such as the following:

- it holds certain shares such as shares in unlisted companies;
- more than 20% of total receipts consist of, in the case of natural persons, income from professional services, and in the case of companies or close corporations, investment income and income from professional services;
- its business is that of a personal service provider for any portion of the year;
- the total receipts from capital disposals do not exceed R1.5 million over a three year period;
- in the case of a company, its tax year ends other than on the last day of February or its shareholders are not individuals or deceased or insolvent estates of individuals; or
- in the case of partnerships any partner is not a natural person, or a partner is a partner in more than one partnership or the turnover of the partnership exceeds R1 million.

Personal Service Providers (PSPs) which are incorporated are taxed at a rate of 33%. From 1 April 2012, PSPs will be taxed at 28%. PSPs which are trusts are taxed at 40%.

A personal service provider is any company or trust where any service rendered on behalf of the entity to a client of the entity is rendered personally by any person who is a connected person in relation to the entity and:

- such a person would be regarded as an employee of the client if such service was rendered directly by such person to the client; or
- where those duties must be performed mainly at the premises of the client, such person is subject to the control or supervision of such client as to the manner in which the duties are performed; or
- where more than 80% of the income of such an entity (during the year of assessment) from services rendered consists of, or is likely to consist of, amounts received directly or indirectly from any one client or any associated institution as defined in the Seventh Schedule in relation to such client.

Any entity which throughout the year of assessment employs three or more full-time employees, who are engaged on a full time basis in the business of such entity of rendering any service to a client, other than an employee who is a shareholder, member or beneficiary of the entity, or is a connected person in relation to such shareholder, member or beneficiary is excluded from the definition of a personal service provider.

Any amount that is paid to a personal service provider is subject to employees' tax at the rate of 33% (to be lowered to 28%).

Section 23(k) prohibits deductions in respect of many types of expenses incurred by a personal service provider.

Secondary Tax on Companies

STC will be replaced by a dividends withholding tax at shareholder level ('DT') with effect from 1 April 2012.

South African resident companies are liable for Secondary Tax on Companies (STC) on dividends declared. STC is levied at 10% of the net amount of dividends declared. The net amount comprises the dividend declared, less total dividends received or accrued during the dividend cycle less excess credits not utilised in a previous dividend cycle.

STC is payable on or before the last day of the month, following the month in which the dividend cycle ends. A dividend cycle extends between the dates of accrual of dividends in the hands of the shareholders.

The exemption from STC that applied to dividends declared by a company in liquidation, or in anticipation of liquidation, winding-up or deregistration from pre-1 October 2001 capital profits, has fallen away with effect from 1 January 2011.

There are anti-avoidance measures which deem certain transactions and dealings between a company and its shareholders or connected persons in relation to the shareholders to constitute dividends. These include interest-free or low interest loans and advances to, or asset distributions to, shareholders or to connected persons in relation to the shareholders.

Dividends Tax - Withholding Regime

The essential features of the DT are as follows:

- Although the tax is borne by the shareholder, it is the responsibility of the payer or appropriate intermediary to withhold the tax.
- It will be levied at 15% on dividends paid to shareholders, but subject to the limitations imposed by various double taxation treaties.
- Dividends payable to *inter alia* the following shareholders as beneficial owners of the dividend are exempt from DT:
    - › resident companies,
    - › primary, secondary and tertiary government institutions;
    - › Public Benefit Organisations which are tax exempt;
    - › certain environmental rehabilitation trusts;
    - › non-profit entities approved in terms of section 10(1)(cA);
    - › pension, provident, retirement annuity and benefit funds;
    - › pension and provident preservation funds;
    - › parastatals such as CSIR, SAIDC, SANRA and water service providers;
    - › a shareholder in a micro business paying the dividend to the extent that the micro business's total annual dividends do not exceed R200 000;
    - › a shareholder where the dividend constitutes the tax free transfer of a residence to that person per paragraph 51A of the Eighth Schedule;
    - › a non-resident where the dividend is paid by a non-resident company listed on the JSE.

A payer must not withhold tax if:

- the beneficial owner provides a written declaration that the dividend is exempt from dividends tax, and an undertaking to notify the payer if the beneficial ownership of the dividend changes; or
- the dividend is paid to a company forming part of the same local group of companies; or
- the payment is to a regulated intermediary.

A regulated intermediary must not withhold tax if:

- the beneficial owner has submitted a written declaration that the dividend is exempt from dividends

- tax, and an undertaking to notify the payer if the beneficial ownership of the dividend changes; or
- the payment is made to another regulated intermediary.

Withholding taxes may be reduced by STC credits available in the declaring company up to a period of five years following the date of implementation of DT. Furthermore, rebates are granted in respect of foreign taxes paid on certain dividends.

There are various anti-avoidance rules which include measures to levy DT on the difference between interest charged at the 'official' rate and the interest actually charged in respect of loans to shareholders or connect persons in relation to shareholders.

Provisional Tax

Companies and close corporations are obliged to register for provisional tax purposes.

Provisional payments are advance tax payments in respect of normal tax payable for the year. Companies and close corporations are required to make their first provisional tax payment within 6 months of the beginning of their tax year and the second provisional payment before the end of the company's tax year.

The third provisional payment is voluntary and should be submitted 7 months after the end of the tax year if the year end is February and 6 months after the end of the tax year if the year end is on any other date, in order to avoid interest. No interest is levied on companies with a taxable income of less than R20 000 in respect of late payment of the third provisional payment.

The same rules apply as for individuals relating to the estimation of provisional tax payments (see 'Provisional returns - individuals' on page 24).

Special Corporate Rules

The South African tax system does not allow for group assessment and each legal entity is a separate taxpayer in its own right. This approach is softened somewhat by special corporate rules which allow for some free flow without triggering the normal tax consequences.

These rules specifically cover:

- Asset-for-share transactions
- Amalgamation transactions
- Intra-group transactions
- Unbundling transactions
- Liquidations/winding-up and de-registrations

CAPITAL ALLOWANCES

Plant and Machinery

Second-hand plant or machinery used directly in a process of manufacturing or a similar process, qualifies for a depreciation allowance over 5 years (20% per annum), subject to the accelerated depreciation allowance referred to below.

New or unused manufacturing assets used as above, may be written off over a period of 4 years, 40% in year 1 and 20% in the remaining 3 years. This treatment also applies to new and used plant or machinery used directly for purposes of research and development, if such plant or machinery was acquired in terms of an agreement concluded on or after 1 January 2012.

Manufacturing assets acquired by small business corporations, as defined, may be deducted in full (100%) in the year the asset was acquired. Other depreciable assets acquired by small business corporations are eligible for a depreciation allowance at a 50:30:20 rate over a 3-year period.

Farmers are entitled to an allowance, over 3 years, of 50%, 30% and 20% respectively calculated on the cost of machinery, implements and articles used for farming, excluding passenger motor vehicles and office furniture and equipment. Farmers are also entitled to a deduction of various capital expenses against farming income.

Besides these general capital allowances, special rates apply to certain classes of assets which do not necessarily reflect the economic life of these assets. These assets include:

- Pipelines and transmission lines
- Rolling stock
- Hotelkeeper's assets
- Aircraft and ships
- Airports and port assets
- Approved strategic industrial projects
- Assets used in the production of renewable energy

These allowances are subject to recoupment and the above allowances are not reduced where an asset was used for only part of the year.

Wear and Tear Allowance

Assets used for trade (excluding building and assets qualifying for the above-mentioned allowances) qualify for a wear and tear allowance on the straight-line basis over the useful life of the asset.

Interpretation note 47 issued on 11 November 2009 deals comprehensively with wear and tear allowances. The write-off period for certain key assets is listed below:

	Years
Personal computers	
- hardware	3
- software	2
- Mainframe computers/servers	5
Passenger cars	5
Delivery vehicles	4
Motor cycles	4
Furniture and fittings	6
Cash registers	5
Telephone equipment	5
Workshop equipment	5
Air conditioners (window type)	6
Demountable partitions	6
Dental and medical equipment	5
Fax machines	3
Fitted carpets	6
Shop fittings	6
Photocopying equipment	5
Security systems	5
Cellular telephones	2
Containers	5
Burglar alarms (removable)	10
Fork-lift trucks	4
Front-end loaders	4
Neon signs and advertising boards	10
Television sets, video machines and decoders	6
Text books	3
Trucks (heavy duty)	3
Trucks (other)	4

A full transcript of the interpretation note which includes a detailed list of rates acceptable to SARS, may be viewed at *www.bdo.co.za/documents/Wearandtearallowances.pdf.*

In order to qualify for these write-off periods, a taxpayer must maintain adequate records relating to the fixed assets. The allowance is reduced proportionately if the asset is used for only part of the tax year. A shorter write-off period may be applied for.

Small items may be written-off in full during the year of their acquisition. The Commissioner regards a small item as an item costing less than R7 000 that normally functions in its own right and is not an individual item that is part of a set.

A taxpayer may change from a reducing balance method to a straight-line method in respect of existing assets. The remaining income tax value of assets will then be written off over the remaining lives of the assets, being the write-off period acceptable to SARS less the period elapsed to date.

Lessors are required to reduce the value of the asset for write-off purposes by any residual value.

Buildings

An annual allowance of 5% is allowed in respect of the cost of certain industrial buildings and improvements thereto, if erection commenced on or after 1 January 1989. Where erection commenced before 1 January 1989, the annual allowance is limited to 2%.

For a limited period, the tax allowance of 10% was granted where the erection of any building commenced during the period 1 July 1996 to 30 September 1999 and the building was brought into use on or before 31 March 2000. The cost of such building would be written off at 10% per annum on the straight-line basis.

The annual allowance is also claimable in respect of purchased industrial buildings, provided that the seller was entitled to the allowance. The rate of the allowance will be the same as the rate to which the seller was entitled, with the exception of the accelerated 10% rate.

The 2% or 5% allowance is also claimable on buildings used wholly or mainly for purposes of research and development during the tax year, the rate being dependent on the date of commencement of the erection of the building.

The allowance is not apportioned where the building or improvement was not in use for the full tax year.

Commercial Building Allowance

An allowance is available in respect of new commercial buildings or improvements to existing buildings. The allowance is equal to 5% of the cost to the taxpayer of any new and unused building owned by the taxpayer, if that building or improvement is wholly or mainly used by the taxpayer during the year of assessment for purposes of producing income in the course of the taxpayer's trade.

The owner of the building qualifies for this allowance and not the occupant. If, for example, the occupant incurs the expenditure in respect of any improvements, the allowance is not available to the owner of such building (improvements by occupants to buildings may also result in other tax effects, for example, CGT or normal income tax in the hands of the owner of the building). This potential problem can simply be remedied if the occupant pays additional rental income (equal to the improvements) and the owner incurs the expenditure in respect of the improvements.

This allowance is not available for buildings used for the provision of residential accommodation.

The allowance is only available in respect of any building or improvement that was contracted for on or after 1 April 2007 if the construction, erection or installation commenced on or after that date.

To the extent that a taxpayer acquires part of a building without erecting or constructing that part, only a portion of the acquisition price may be claimed for allowance purposes.

The allowance is not apportioned where the building or improvement is not in use for the full tax year.

Residential Building Allowance

An allowance may be claimed equal to 5% of the cost of a new and unused residential unit owned by the taxpayer and used solely for the purposes of the taxpayers trade, or of new and unused improvements to residential units, provided that erection commenced on or after 21 October 2008 or the unit or improvement was acquired on or after that date and the taxpayer owns at least 5 residential units in South Africa. Where the unit qualifies as a 'low cost residential unit' the rate of the allowance is accelerated to 10%.

To the extent that a taxpayer acquires a residential unit representing part of a building without erecting or constructing that part or improvement, only a portion of the acquisition price may be claimed for allowance purposes.

Urban Development Zone Allowance ('UDZ')

The UDZ allowance is an incentive, in the form of depreciation allowances, for the renewal of decaying inner cities. The incentive is available until 1 March 2014. The Government is currently considering extending the termination date of this incentive.

Sale of Low-Cost Housing on Loan Account

Where an employer sells a 'low cost residential unit' to an employee or an employee of an associated institution, the employer may claim a deduction equal to 10% of any amount owing by the employee to the employer as at the end of the employer's tax year, under certain circumstances.

A tax incentive for developers and employers to build new housing stock (consisting of at least five units in compliance with prescribed standards) for sale below R300 000 per dwelling is currently also under consideration.

FOREIGN EXCHANGE PROFITS AND LOSSES

Foreign exchange profits and losses realised by companies trading trusts and individuals trading in exchange items are largely regulated by section 24I which provides for the deduction/inclusion of certain specified exchange losses/profits whether realised or unrealised and whether or not of a capital nature.

Section 25D deals specifically with the rates at which foreign income and expenses are converted to Rands.

TRADING STOCK

Trading stock on hand at year end is required to be added back to income at the lower of cost or net realisable value. It should, however, be noted that with effect from the commencement of tax years commencing on or after 1 January 2011, no taxpayer may write down the value of trading stock that consists of 'financial instruments' as defined, to below cost.

The value of trading stock on hand at the end of the year becomes the opening trading stock for the following year and is deductible in that year.

Trading stock held by farmers is dealt with in the First Schedule of the Income Tax Act. The key differences from the general rules are, in essence, that produce is only recognised as stock when picked, harvested or reaped and livestock is valued at nominal standard values.

The LIFO method of valuation is not permitted.

Consumable stores and spare parts acquired to be consumed in the course of trade are also included in trading stock.

The cost price of contractors' work-in-progress relating to fixed property owned by another person must also be included in trading stock until the contract is complete. The cost price will be reduced by progress payments, retention monies and notional losses.

A disposal of trading stock for no consideration or an inadequate consideration, or a disposal other than in the ordinary course of trading, for example if trading stock ceases to be held for resale, or if trading stock is distributed as a dividend, will result in an inclusion in taxable income of an amount equal to the market value or cost of the stock, less the consideration, if any, received.

Where a marketable security is lent in terms of a lending arrangement whereby a marketable security of the same kind and of the same quality and quantity will be returned to the lender within 12 months (and a number of other conditions are satisfied), the marketable security is deemed not to have been disposed of by the lender, nor held by the borrower.

CAPITAL GAINS TAX (CGT)

Capital Gains Tax was introduced on 1 October 2001.

Determination of a Capital Gain or Loss

A capital gain or loss is the difference between the base cost of an asset and the proceeds received or deemed to have been received for that asset upon the disposal or the deemed disposal of the asset.

The Calculation of CGT

Proceeds on disposal	....
LESS: Base Cost	....
Capital Gain	....
Less: Annual exclusion (if applicable)	R30 000[1]
Less: Previous assessed capital loss	....
Net Capital Gain (Assessed Capital loss carried forward and may not be offset against revenue gains)	....
Net Capital Gain Multiplied by: Inclusion rate (33.3% / 66.6%)	....
Amount of the capital gain to be included in income	....

Note 1: An annual exclusion of R30 000 against capital gains or capital losses applies to individuals and special trusts only. In the year of the death of an individual, the annual exclusion becomes R300 000.

Four Cornerstones for Determining a Capital Gain or Loss

A capital gain or loss is made up of the following key elements:

- an asset;
- a disposal or deemed disposal;
- proceeds or deemed proceeds; and
- a base cost.

It is however fundamental that before a capital gains tax calculation is performed relating to the disposal of an asset, it should be ascertained that the asset was indeed held on capital, rather than revenue, account. In other words that the asset was held for investment purposes rather than for speculation.

Asset

An 'asset' is property of whatever nature, whether movable or immovable, corporeal or incorporeal, including:

- coins mainly made from gold or platinum; and
- any right or interest of whatever nature to or in such property, but excluding currency.

Disposal

A 'disposal' is any event, act, forbearance or operation of law and includes:

- any event that constitutes alienation or the transfer of ownership of an asset; e.g. sale, donation, cession, expropriation, grant or exchange;
- any event that results in expiry or abandonment of an asset; e.g. forfeiture, termination, redemption, cancellation, surrender, waiver, discharge, release, renunciation or relinquishment;
- scrapping, loss or destruction of an asset;
- vesting in a beneficiary of an interest in a trust asset ;
- distribution of an asset by a company to a shareholder;
- granting, renewal, extension or exercise of an option; or
- decrease in value of a person's interests in a company, trust or partnership through value shifting.

The following are the more important events that are not regarded as 'disposals':

- transfer of an asset as security for debt;
- issuing or cancellation of shares by a company;
- granting of an option by a company to take up shares or debentures;
- issuing of units by an equity unit trust or the granting of an option to take up units;
- issuing of a bond, debenture, note or borrowing of money from a person;
- correction at the deeds office of incorrect property registration;
- lending of marketable securities in terms of a lending arrangement; and
- a qualifying option in an equity instrument obtained after 26 October 2004 which has not yet vested.

Determination of Base Cost

Assets acquired before 1 October 2001:

- the base cost will be the sum of the 'valuation date value' and qualifying costs incurred after the valuation date. The valuation date value, depending on the information and records available, can be determined by using any one of the following methods:
  - › market value of the asset on 1 October 2001;
  - › the time-apportionment base cost method; or
  - › 20% of the proceeds from the disposal.

In the case of assets acquired before 1 October 2001, special rules apply to prevent taxpayers from claiming phantom losses or from being taxed on gains that were made before that date.

Assets acquired on or after 1 October 2001:

- the base cost is the price paid for the asset, plus certain other costs incurred that are directly related to buying it, selling it or improving it, e.g. transfer duties, attorney's fees, improvement costs, commissions, stamp duty, etc.

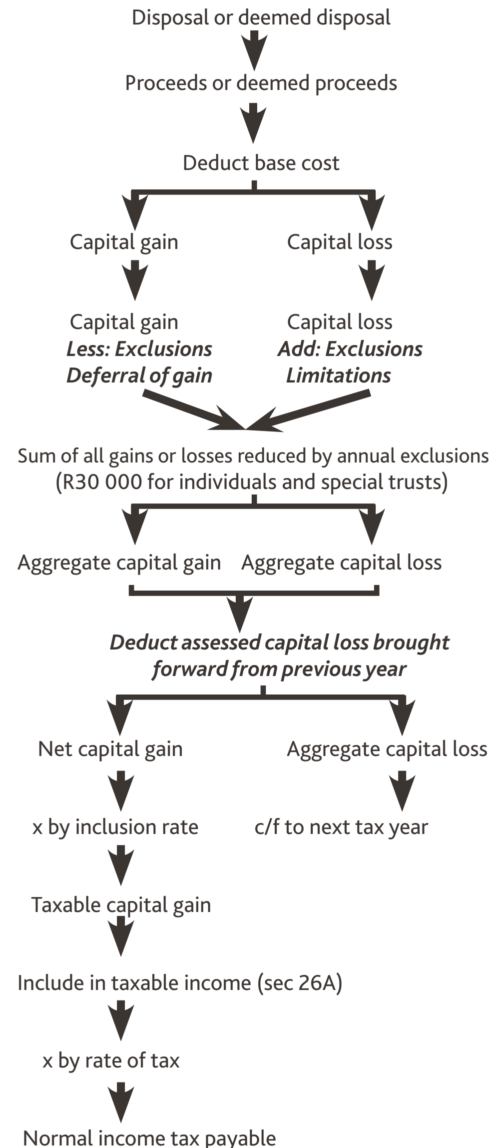
The following are examples of costs that are excluded from the base cost:

- costs of maintaining, repairing or protecting assets
- borrowing costs
- raising fees
- rates and taxes, and
- insurance.

The above costs may, however, be claimed if the asset was used wholly and exclusively for business purposes and such costs were not otherwise claimed for income tax. Also, one third of borrowing costs relating to listed shares may be claimed.

In the case of an asset that was subject to a deemed disposal (e.g. asset acquired through donation or inheritance), the base cost in the hands of the recipient will be equal to the deemed proceeds that were used to calculate the gain in the hands of the person who disposed of the asset.

CGT BASIC FRAMEWORK



Inclusion Rates

Type of Taxpayer	Inclusion Rate (%)	Statutory Tax Rate (%)	Effective Tax Rate (%)
Individuals	33.3	0 - 40	0 - 13.3
Standard companies	66.6	28	18.6
Trusts			
• Unit	N/A	N/A	N/A
• Special	33.3	0 - 40	0 - 13.3
• Other	66.6	40	26.7
Retirement Funds	N/A	N/A	N/A
Life Assurers			
• Ind policyholder fund	33.3	30	10
• Co policyholder fund	66.6	28	18.6
• Corporate fund	66.6	28	18.6
• Untaxed policyholder fund	0	0	0

Death

The annual exclusion available to individuals during the year of death is R300 000.

Liability for CGT

South African residents are liable for CGT on their worldwide assets.

Non-residents are liable for CGT on the following assets situated in South Africa:

- immovable property and any interest in or right to immovable property; and
- assets of a permanent establishment situated in South Africa.

Withholding Tax Regime for Non-residents

A capital gain made by a non-resident on the disposal of an immovable property or any right or interest therein is subject to a withholding tax regime. The obligation to withhold the tax is placed upon the purchaser and the withholding rates are as follows:

Individuals	5.0%
Corporates	7.5%
Trusts	10.0%

The withholding tax does not apply to property sales for proceeds of R2 million or less. Also, a directive may be obtained to pay a lesser amount.

Triggering of CGT

Certain events are deemed to be disposals for CGT purposes, whilst certain other events will give rise to simultaneous disposals and acquisitions, e.g. when a person commences or ceases to be a resident for South African tax purposes; waiver of debt by a creditor; death, etc.

Exclusions

The following items are, for example, disregarded for CGT purposes:

- the first R2 million of a gain upon disposal of a primary residence;
- the disposal of personal use assets of individuals or special trusts;
- lump sum benefits from pension, provident or retirement annuity funds;
- proceeds from long term insurance policies (excluding second-hand policies);
- payments as compensation for personal injury, illness or defamation claims;
- gains from gambling, games or competitions authorised and conducted in terms of South Africa’s laws;
- certain gains made by approved PBOs;
- qualifying gains and losses made by unit trust funds;
- gains of up to R1.8 million during an individual's lifetime from the disposal of a small business by reason of reaching the age of 55 or for reasons of ill-health or death, provided certain other requirements are met; and
- donations and bequests to approved PBOs.

Tax-free Transfer of Primary Residence from a Company or Trust

A concession has been enacted that allows for the tax-free transfer of a residence from a company or trust into the hands of shareholders or beneficiaries of the company or trust who are natural persons. Where the concession applies, the transfer is free from CGT, STC, dividends tax and Transfer Duty. The entity or entities (in a multi-tier structure) out of which the residence is transferred must however be revoked, de-registered or liquidated.

The main requirements for the application of the concession are that the residence must be:

- mainly used for domestic purposes during the period from 11 February 2009 to the date of disposal;
- by one or more natural persons who are connected persons in relation to the company or trust that owns the residence; and
- the residence must be disposed of on or before 31 December 2012.

Rollover or Deferrals

In the case of the following events, the gain on the disposal of an asset is deferred until a subsequent CGT event:

- involuntary disposals (e.g. theft, fire) provided the asset is replaced within a period of 12 months;
- re-investment in replacement assets that are brought into use within a period of 12 months;
- transfers between spouses, including as inheritances; and
- disposal of assets using the special corporate rules.

Capital Losses not taken into account

Losses suffered in respect of the following transactions or events cannot be claimed for CGT purposes:

- losses on disposal of intangible assets acquired before 1 October 2001;
- losses in respect of certain forfeited deposits;
- losses suffered on transactions with connected persons. These losses are ring-fenced and can only be offset against capital gains resulting from dealing with that same connected person;
- losses on disposal of options on certain assets; and
- losses on disposal of certain shares.

Assets held in Foreign Currency

Special rules apply in respect of assets held and disposed of in foreign currency.

In the case of foreign equity instruments, profits and losses resulting from foreign exchange differences must be accounted for.

Foreign Currency Assets and Liabilities

'Currency' is excluded from the definition of an 'asset' and is therefore not subject to the normal CGT rules. Complex rules that applied in determining capital gains and losses made by a resident due to exchange rate fluctuations in respect of the disposal or acquisition of 'foreign currency assets' or the settlement or part settlement of a 'foreign currency liability' were repealed with effect from 1 March 2011.

DISPOSAL OF SHARES - 3 YEAR RULE

The proceeds on the sale of equity shares will automatically be subject to Capital Gains Tax if the period of ownership equals or exceeds three years.

The application of section 9C, unlike its predecessor (section 9B), is not optional.

The salient features of section 9C are as follows:

- It is applicable to the disposal of qualifying shares on or after 1 October 2007.
- It is mandatory – no election by the taxpayer is provided for.
- The application of section 9C extends beyond listed shares – it also applies to shares in private companies, interests in close corporations and certain collective investment schemes (for example, share portfolios). There are however various exclusions from section 9C such as shares in non-SA listed foreign companies, shares in share block companies and hybrid equity instruments.

It is important to note that the proceeds from the disposal of a share that was not held for the required three year period may also be capital in nature, depending upon a taxpayer's intention. The *onus* of proof is on the taxpayer under these circumstances. Factors such as the holding period and the frequency of share disposals will be considered in establishing intention.

THE TAXATION OF FOREIGN DIVIDENDS

A new dispensation for the taxation of foreign dividends becomes effective for dividends received or accrued on or after 1 March 2012 for individuals and on or after 1 April 2012 for companies.

In terms of the new regulations residual foreign dividends which are not fully exempt from tax by one of the exemptions listed below will be subject to tax at a maximum effective rate of 10%. This rate will probably increase to 15% in line with the increase in the Dividends Tax rate.

The following foreign dividends are exempt or partially exempt from tax:

- Dividends declared by a company that is listed in South Africa, provided that the dividend is not a dividend *in specie.*
- Dividends to the extent that the profits from which the dividends are distributed have been or will be included in the resident's income in terms of the controlled foreign company rules (s 9D).
- Dividends received by or accrued to a company where the foreign dividend is paid or declared by another foreign company that is a resident in the same country as the first company.
- Dividends paid to persons who own 10% or more of the equity share capital and voting rights of the foreign company.
- The above two exemptions do not apply in respect of a dividend from a foreign collective investment scheme and to so-called 'funnel scheme' dividends.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Broad-Based Black Economic Empowerment ('BEE') Act aims to promote equality within the business sector. The Department of Trade and Industry has issued a general BEE scorecard to measure companies' BEE credentials.

The components of the scorecard include ownership, management, employment equity, skills development, preferential procurement, enterprise development and a residual element. Increasing emphasis is being placed upon ownership credentials.

Broad-Based Employee Share Plans

Section 8B is designed to promote empowerment of employees through share ownership. These provisions, whilst applicable to employees in general, could assist taxpayers in meeting their black economic empowerment objectives.

In essence, employees may acquire over a period of 5 years, in aggregate up to R50 000 worth of shares from the employer or associated companies either for free or for a nominal consideration. The employee will be subject to capital gains tax on any amounts received or accrued, if the shares are held by the employee for more than 5 years before disposal. If the shares are disposed of within 5 years, any gains made will be taxable as normal income and subject to normal income tax (this is despite the 3 year rule contained in section 9C which characterises the proceeds upon the disposal of a share after 3 years as capital).

Loans to employees to acquire qualifying equity shares are free of fringe benefits tax, as is the acquisition of the shares.

A company is entitled to a deduction of the market value of any qualifying equity shares granted to employees, limited to a maximum of R10 000 per employee per annum. Any excess may be carried forward and claimed in the following tax year.

In general, 'broad-based employee share plans' are subject to the following requirements:

- equity shares in the employer or other companies in the group are acquired by employees for a minimum consideration, namely the par value of the shares;
- at least 80% of the permanent or full time employees are entitled to participate;
- employees who participate in any other share plan of the employer or associated institution must not be allowed to participate;
- employees who acquire the shares are entitled to all the dividends and have full voting rights of the shares acquired;
- no restrictions may be imposed on the disposal of the shares other than:
  - › restrictions imposed by legislation or where an employee is guilty of poor performance or misconduct;
  - › a right of any person to acquire those equity shares from employees at market value; or
  - › a restriction in terms of which that employee may not dispose of those equity shares for a period of at least 5 years from the date of the grant of those shares.

The value of the equity shares acquired in terms of the plan may not exceed R50 000 in aggregate over a five year period.

HEADQUARTER COMPANY REGIME

The aim of this regime is to make South Africa attractive as a jurisdiction to hold investments into African countries.

The definition is fairly complex but the main features are that:

- The company must be a South African resident;
- Throughout the current year of assessment and all previous years, each shareholder must have held 10% or more of the equity shares and voting rights in the company;
- Throughout the current year of assessment and all previous years, 80% or more of the cost of total assets must have been attributable to investments in foreign companies in which the company held at least 10% of the equity share capital and voting rights;
- Where the gross income of the headquarter company exceeds R5 million, 50% or more of the total receipts and accruals of the company for that year of assessment must consist of dividends, interest, royalties or fees from investees or proceeds from the disposal of the headquarter company's interests in investees.

Headquarter companies are subject to income tax on woldwide income in line with other residents in SA.

A company meeting the requirements of a headquarter company must make an election to be taxed as a headquarter company.

If the headquarter company incurs interest on a loan from a non-resident, it can deduct the interest expense to the extent that it earns interest from a non-resident company in which it holds at least 10% of the equity shares and voting rights. Any undeducted balance of the interest expense will be carried forward to the following year of assessment.

Headquarter companies do not pay STC on dividends they declare and will also not be subject to the new dividends tax. This in turn means that a shareholder in a headquarter company may not deduct dividends received from a headquarter company in calculating its STC liability.

Dividends received from headquarter companies are treated as 'foreign dividends', and will be exempt from Income Tax as the participation exemption will apply to each shareholder.

A headquarter company is not subject to transfer pricing rules in respect of loans to investees if it holds at least 10% of the investee's equity shares and voting rights. It is also not subject to transfer pricing rules in respect of loans from non-residents that are on-lent to such investees.

The controlled foreign company (CFC) inclusion regime does not apply to shares held by headquarter companies but may apply to South African shareholders of the headquarter company.

The sale of shares in a headquarter company is potentially subject to exemption from capital gains tax if the shares are sold to a non-resident provided that the shares were held for at least 18 months.

WITHHOLDING TAX ON INTEREST PAID TO NON-RESIDENTS

This withholding tax is to apply to interest that accrues on or after 1 January 2013.

The withholding tax is a final tax and is to be levied at the flat rate of 15%.

It will apply to any interest received by or accrued to a non-resident (other than a CFC), that is not specifically exempted in terms of one of the exemptions contained in the provision.

The following are the most important exemptions:

- Interest in respect of Government or listed debt instruments;
- Interest in respect of bank or Reserve Bank debts: note however that there is a specific anti-avoidance provision to the effect that this exemption does not apply in the case of 'back to back' loans;
- Interest in respect of bills or letters of credit relating to the importation of goods into South Africa;
- Interest payable by a headquarter company if certain conditions are met;
- Interest payable in terms of the Securities Services Act;
- Interest payable by a Collective Investment Scheme (CIS), other than a CIS in securities;
- Interest that is taxable in the hands of the non-resident for income tax purposes.

TAX EXEMPT ENTITIES

While certain entities (for example Pension, Provident and Benefit Funds) qualify for tax exemption automatically, others (for example Public Benefit Organisations and Recreational Clubs) must apply for tax exemption.

Public Benefit Organisations (PBOs)

Public Benefit Organisations seeking exemption from income tax must comply with the requirements for tax exemption set out in section 30. In addition to partial exemption from income tax, PBOs qualify for special tax treatment. Included in the special treatment are that there is no donations tax or estate duty on donations or bequests to approved PBOs, no transfer duty on purchase of fixed property in certain cases, no stamp duty or securities transfer tax in certain cases and no capital gains tax on assets disposed of to a PBO.

The income tax relief afforded to PBOs is only partial. PBOs are subject to tax on part of their trading income, although non-trade income is exempt. PBOs are also exempt from CGT in respect of disposals of non-trade assets.

Public Benefit Organisations (PBOs) seeking approval for exemption must comply with certain provisions, the most important of which are:

- the sole object of the entity must be to carry on one or more public benefit activities in the following categories:
  - Welfare and Humanitarian;
  - Health Care;
  - Land and Housing;
  - Education and Development;
  - Religion or Philosophy;
  - Cultural;
  - Conservation and Animal Welfare;
  - Research and Consumer Rights;
  - Sport (non-professional);
  - Provision of funds and resources to other PBOs;
  - Support services to other PBOs;
  - Hosting international events;
- the management committee must comprise at least three persons who are not connected persons and no one person may control the entity;
- no funds may be distributed to any person other than in the course of a public benefit activity.

Foreign charities operating as an agency or branch within South Africa and which meet similar criteria to local organisations, may also be granted exemption.
In terms of Section 18A, donations to certain PBOs which carry on the public benefit activities contemplated in Part II of the Ninth Schedule are deductible up to a limit of 10% of the donor’s taxable income.

Employees may also enjoy PAYE reductions where donations are made by way of salary or wage reduction (Payroll Giving).

Recreational Clubs

A recreational club is any company, society or other association of which the sole or principal object is to provide social and recreational amenities or facilities for its members.

Recreational clubs previously enjoyed complete exemption from income tax. Now recreational clubs are subject to a system of partial taxation in terms of section 10(1)(cO), for years of assessment commencing on or after 1 April 2007. All club income will now be subject to income tax unless it falls within the exemptions under section 10(1)(cO) which include an exemption for income from membership fees and certain business activities if integrally related to the provision of recreational activities.

The Commissioner will approve a recreational club for exemption of qualifying income from tax if certain conditions are met, e.g. members must be entitled to annual or seasonal membership which may not be sold.

Body Corporates

All levy income is exempt and other income up to R50 000 per annum is exempt from tax.

VALUE ADDED TAX (VAT)

VAT is levied at 14% on the value of all goods and services supplied by vendors. The main exceptions are as follows:

Exempt Supplies, for example:

- rental of residential accommodation in terms of an agreement for the letting and hiring of the accommodation. This exemption does not apply to 'commercial accommodation' e.g. accommodation provided in a hotel or guest house;
- educational services;
- local passenger transport by road or rail;
- trade union contributions;
- share block and body corporate levies;
- certain financial services including interest received, and the transfer of debt and equity securities;
- child care in a crèche or after-school care;
- the sale or letting of land outside South Africa; and
- certain supplies by certain Public Benefit Organisations;

Zero Rated Supplies, for example:

- the sale of a going concern between two registered vendors;
- petrol sales;
- certain basic foodstuffs;
- certain goods to be used for farming purposes;
- exported goods and services, subject to prescribed requirements;
- goods supplied to a customs controlled area, subject to prescribed requirements;
- supply of gold to the South African Reserve Bank, Mint or any registered bank;
- certain services rendered outside South Africa;
- international transportation and related services;
- certain services rendered to non-residents, but subject to prescribed requirements;
- receipts for certain services rendered by welfare organisations; and
- certain services related to warranties.

Essential Features

- enterprises making taxable supplies of less than R1 million in any period of 12 months are not obliged to register for VAT;
- enterprises making taxable supplies of less than R50 000 in any period of 12 months are not permitted to register for VAT;
- VAT returns are generally submitted on a 2 monthly basis unless taxable supplies in any period of 12 months has exceeded or is likely to exceed R30 million, in which case returns are submitted monthly. There are, however, also 4-monthly, 6-monthly and annual VAT periods;
- a vendor may claim the VAT element of all incoming taxable supplies from registered VAT vendors, subject to the vendor being in possession of a valid tax invoice when making the claim, but for the following exceptions:
  - › entertainment expenditure (which excludes certain qualifying subsistence expenditure);
  - › the supply of passenger vehicles (including hiring); and
  - › club subscriptions.
- input tax credits may not be claimed on expenditure relating to exempt supplies;
- the name, address and VAT registration number of the recipient must appear on tax invoices (together with other required information) where the VAT inclusive total exceeds R3 000;
- a notional input tax credit may be claimed on the purchase of second hand goods including immovable property, subject to prescribed requirements;
- all fee based financial services (with the exception of certain premiums on life policies and contributions to retirement funds) are subject to VAT;
- certain vendors, the value of whose taxable supplies made in a 12 month period has not exceeded and is not likely to exceed R2.5 million, may apply to account for VAT on a payments basis; and

- non-residents can, subject to certain conditions, qualify for a VAT refund on goods purchased in South Africa. Such refunds do not apply to services.

GOVERNMENT INCENTIVES

At present there are a number of incentives available to South African businesses. Incentive categories include research and development, enterprise development, export development, industry specific incentives and investment incentives.

In addition to the incentives listed below, it has been proposed that the Government will consider expanding incentives for labour-intensive projects in Industrial Development Zones. A few of the available incentives are set out below.

Research and development

Support programmes provided by the Department of Trade and Industry (DTI) in association with the Industrial Development Corporation (IDC) are aimed at encouraging research and development activities by large companies and Small and Medium Enterprises (SMEs). The Support Programme for Industrial Innovation (SPII) serves to promote technology development in industries within South Africa for the innovation of competitive products and/or processes.

Three options are available:

- Product Process Development (PPD): a taxable non-repayable grant of 50% - 85% of qualifying costs incurred in pre-competitive development activity associated with a specific development project up to a maximum grant of R1 million.
- SPII Matching Scheme: a taxable non-repayable grant of 50% - 75% of qualifying costs incurred in pre-competitive development activity associated with a specific development project up to a maximum grant amount of R3 million.
- SPII Partnership Scheme: a taxable conditionally repayable grant of 50% of qualifying costs with a maximum grant amount of R3 million.

Enterprise development

Government has introduced a programme, the Black Business Supplier Development Programme (BBSDP) to support the development of successful black-owned enterprises. The BBSDP is a cost-sharing grant available to black-owned enterprises and provides grants to a maximum of R1 million for tools, machinery and equipment and to improve corporate governance, management, marketing, productivity and use of modern technology. The focus is on black-owned enterprises that are VAT registered and have the potential ability to supply goods and services to public and private sector corporations as well as government departments on a sustainable basis.

Export development

Various incentives to encourage exports are available. These include:

- Export Marketing and Investment Assistance scheme (EMIA): The DTI may subsidize expenses relating to primary export market research, individual inward bound trade missions, exhibits at international pavilions and individual exhibitions, outward selling trade and investment recruitment missions and inward buying and investment missions. The EMIA programme may also provide sector specific assistance to initiatives aimed at growing exports and is available to historically disadvantaged businesses, SMMEs and 'other businesses'.
- Capital Projects Feasibility Programme (CPFP): A cost-sharing scheme providing a contribution to the cost of feasibility studies that are likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services.

Industry specific incentives

Targeted support is available to selected industry sectors which include:

- Film incentive: a revised film and television production incentive intended to increase local content generation and improve location competitiveness for filming in South Africa
- Business Process Services (BPS) aims to attract investment and create employment in South Africa through off-shoring activities by providing a tax exempt grant for each offshore job created and maintained by an entity performing BPS activities.

Investment Incentives

Incentives to encourage investment in certain targeted sectors of the economy include:

- Critical Infrastructure Programme (CIP): a cost sharing grant established to assist industrialists engaged in the development or upgrading of critical infrastructure such as roads, rail links, water pipelines, telecommunication networks, etc. The grant of up to 30% (capped at R30 million) of development costs is available to approved enterprises on competition of the infrastructure project concerned.
- The Enterprise Investment Programme (EIP) is made up of the Manufacturing Investment Programme (MIP) and the Tourism Support Programme (TSP).

The MIP aims to enhance the sustainability of manufacturing investment projects by small enterprises and to support large-to-medium sized investment projects in manufacturing that would otherwise not be established without the grant.

The MIP incentive programme provides investment support to both local- and foreign-owned entities, by offering an investment grant of up to 30% of the value of qualifying investment costs in machinery, equipment, commercial vehicles, land and buildings, required for establishing a new production facility; expanding an existing production facility; or upgrading production capability in an existing clothing and textile production facility. Investment projects of R5 million and below may qualify for an investment grant equal to 30% of their total qualifying investment cost, payable over a three year period. Investment projects of above R5 million may qualify for an incentive grant equal to 30% of their total qualifying investment cost, payable over a three year period. Investment projects of above R5 million may qualify for an incentive grant of between 15% and 30% of their qualifying investment costs, calculated on a regressive scale and payable over a period of two years. This investment grant cannot exceed R30 million. Foreign investment projects may qualify for an additional grant for the cost of transporting their qualifying machinery and equipment to South Africa. The additional grant is the lower of 15% of the value of qualifying imported machinery and equipment or the actual transport costs of relocating qualifying new machinery and equipment from abroad to a maximum of R10 million. In all cases, the grant payment is subject to the approved project achieving the stipulated performance requirements of investment and employment creation.

The TSP incentive programme offers a grant of up to 30% towards qualifying investment costs for establishing and expanding existing tourism operations in South Africa. The incentive is available to local and foreign-owned enterprises and is provided for qualifying investment costs of furniture, equipment, vehicles, land and buildings/ land improvements of up to R200 million. The investment grant applicable is capped at a maximum of R30 million, calculated in relation to the qualifying investment costs, as follows:

Investment projects of R5 million and below may qualify for investment grants equal to 30% of their qualifying investment costs, payable over a three year period and investment projects of above R5 million may qualify for an investment grant of between 15% and 30% of their qualifying investment costs, calculated on a regressive scale and payable over a period of two years. This investment grant cannot exceed R30 million. In all cases, grant payment is subject to the approved project achieving the stipulated performance requirements of employment creation, Broad-Based Black Economic Empowerment (BB-BEE), location and investment.

- Tax allowance incentive for industrial projects (S12I): The S12I incentive is designed to support greenfield projects (i.e. new industrial projects that utilise only new and unused manufacturing assets) as well as brownfield projects (i.e. expansions or upgrades of existing industrial projects). The projects have to be approved by the Minister of Trade and Industry. The manufacture of certain products, for example wine, spirits, beer, tobacco, arms and ammunition does not qualify for the allowance. The provision gives allowances for both capital investment and training. Certain minimum investment in manufacturing assets is required: for example for Greenfield projects, the minimum is R200 million. The project must:
    - Upgrade an industry within South Africa (via innovative process, cleaner production technology and improved energy efficiency);
    - Provide general business linkages within South Africa;
    - Acquire goods and services from small, medium and micro enterprises;
    - Create direct employment within South Africa;
    - Provide skills development in South Africa; and
    - In the case of a greenfield project, be located within an Industrial Development Zone.

The provision gives additional tax allowances over and above the allowances already available in the Act. The capital investment allowances are 55% (or 35% if the project does not have preferred status) of the cost of new and unused manufacturing assets used in an industrial policy project. This additional tax allowance increases to 100% (or 75% if the project does not have preferred status) where the project is carried out in an industrial development zone. The S12I allowances that may be claimed on any project have certain ceilings, for example R900 million in the case of a greenfield project and R550 million in the case of a brownfield project.

The training allowance is equal to the cost of training provided to employees in connection with the project, to a maximum of R36 000 per employee, limited to R30 million for a project with preferred status, or R20 million for a project without preferred status, in a 6 year period.

ESTATE DUTY

The general rule is that, if the deceased was ordinarily resident in South Africa at the time of death, all his or her assets, wherever they are situated, will be included in the gross value of his estate for the determination of duty payable thereon.

However, it should be noted that assets owned by the deceased prior to his or her first becoming ordinarily resident in South Africa or inherited from a non-resident, may be deducted (see below).

The dutiable amount is arrived at as follows:

Value of all property at date of death (including limited interests such as usufructs, and off-shore assets)	R................
Deemed property *	R................
Gross value of property	R................
Deductions **	R................
Net value of estate	R................
Abatement***	R (3 500 000)
Dutiable amount	R................
Estate Duty thereon at 20%	R................

* Deemed property includes certain insurance policies on the life of the deceased as well as any accrual claim the deceased's estate may have against a surviving spouse.

** The most important deductions are:
- funeral expenses and administration costs;
- debts due at date of death, which includes the income tax and CGT liability of the deceased for the period prior to death;
- charitable bequests;
- assets owned by the deceased prior to his or her first becoming ordinarily resident in South Africa or inherited from a non-resident; and
- property and deemed property passing to a surviving spouse (as defined).

*** If the deceased was the spouse of one or more previously deceased persons, this abatement will be calculated as follows: R3 500 000 x 2, less the section 4A abatement/s claimed in the estate/s of the previously deceased person/s. If the deceased was only one of the spouses of the previously deceased person, the abatement will be apportioned between the spouses of that person.

There is relief from estate duty in the case of the same property being included in the estates of taxpayers dying within 10 years of each other. The deduction is calculated on a sliding scale decreasing from 100% where the taxpayers die within two years of each other to 20% where the deaths are within 8 to 10 years of each other.

If the deceased party was not ordinarily resident in South Africa, only those assets located in South Africa will be subject to estate duty.

South Africa has entered into reciprocal agreements (double taxation agreements) with Botswana, Lesotho, Swaziland, Zimbabwe, the UK and the USA for the avoidance of double estate duty being payable in respect of the same property.

Rates

Estate duty is payable on the resultant dutiable amount of the estate at the rate of 20%.

It has been announced that the effectiveness of Estate Duty is currently under review, with several options under consideration.

DONATIONS TAX

Donations tax is payable on the value of any gratuitous disposal of property, including the disposal of property for inadequate consideration, by any South African resident as defined. Public companies as defined for tax purposes are exempt from donations tax.

A donation is also a disposal for CGT purposes except if the asset donated is cash, and generally triggers CGT based on the market value of the property less its CGT based cost.

Rate of Donations Tax

Donations tax is payable within 3 months of the date of donation at a flat rate of 20% on all donations made.

Principal Exemptions

- Donations between spouses (as defined);
- Donations to approved PBOs;
- The donation of assets outside South Africa, subject to certain conditions;
- Casual donations up to R10 000 per year by donors other than individuals;
- Donations by individuals not exceeding R100 000 per year that are not otherwise exempt; and
- Bona fide maintenance payments that are considered reasonable by the Commissioner for SARS.

SECURITIES TRANSFER TAX

In terms of the Securities Transfer Tax Act, which came into effect on 1 July 2008, Securities Transfer Tax ('STT') is payable on a change of beneficial ownership of securities at a rate of 0.25% of the 'taxable amount' of all listed or unlisted securities.

The 'taxable amount' means the purchase consideration on change of ownership (including cancellation or redemption). If there is no consideration, or the consideration is less than fair value, STT is payable on the market value or the closing price of the securities on the date of the transaction.

'Securities' include a member's interest in a close corporation.

No STT is payable on the issue of shares.

The cancellation or redemption of a security (including share buy-backs and redemptions) will be regarded as a change in beneficial ownership and therefore subject to STT.

Transfer, redemption or cancellation of securities will be exempt from STT in certain circumstances, e.g.:

- transfer to an heir or legatee;
- cancellation on liquidation;
- transfer to a PBO;
- transfer of shares in a Share Block Company;
- transfer of shares constituting a transaction subject to transfer duty; and
- restructuring transactions in terms of the corporate restructuring rules.

STAMP DUTY

Leases of Immovable Property

The Stamp Duties Act, which imposed stamp duty only on leases for periods exceeding five years, was repealed with effect from 1 April 2009.

However, stamp duty remains payable on leases of fixed property executed before 1 April 2009 at a fixed rate of 0.5% on the quantifiable amount (as defined) of the lease. The stamp duty is subject to a maximum amount equal to 8% of the value of the property.

No stamp duty was payable on leases for periods (including renewal periods) of less than 5 years. A lease which may continue for an indefinite period was deemed to be for a period of 5 years and thus was not dutiable.

TRANSFER DUTY ON IMMOVABLE PROPERTY

Transfer Duty is levied on the greater of the purchase price or market value on the transfer of immovable property in the Republic. The indirect acquisition of residential property by way of the acquisition of shares, a member's interest in a close corporation or a contingent right in a discretionary trust is subject to transfer duty.
Rates applicable to acquisitions of immovable property acquired under purchase agreements concluded on or after 23 February 2011, irrespective of the juristic nature of the acquiror:

Value of property:	
on first R600 000	0%
R600 001 to R1 000 000	3% on value above R600 000
R1 000 001 to R1 500 000	R12 000 + 5% on value above R1 000 000
R1 500 001 and above	R37 000 + 8% on value above R1 500 000

Transfers between spouses on divorce, and transfers to heirs (including trusts and companies) from a deceased estate, are exempt from transfer duty.

SKILLS DEVELOPMENT LEVY

The skills development levy (SDL) is a levy payable by an employer based on its 'leviable amount'. 'Leviable amount' is remuneration for employees' tax purposes less certain prescribed exemptions. The funds collected from this levy are used to finance a national skills development programme.

All employers (subject to certain exemptions) are required to pay 1% of their leviable amount on a monthly basis to SARS. The actual remuneration paid or payable to directors must be included.

No SDL is payable by employers with a payroll of less than R500 000 per annum or by any public service employer, approved public benefit organisations and certain national and provincial entities.

EXCHANGE CONTROL

Exchange controls are monitored and administered by the Financial Surveillance Department (formerly Exchange Control Department)

Facilities available to South African Residents

Discretionary Allowance

Private individuals are entitled to a single discretionary allowance of R1 million per calendar year.

The discretionary allowance is available to all individuals over the age of 18 years. It is in addition to the existing foreign investment allowance described below.

The allowance is available to cover the following:

- Monetary gifts and loans to non-resident individuals.
- Donations to missionaries, religious, charitable and educational bodies.
- Maintenance transfers.
- Travel allowances.
- Study allowances.
- Alimony and child support payments.
- Foreign capital allowance.

SA individuals are premitted to transfer abroad for investment purposes up to R1 million per calendar year as part of their Discretionary Allowance without the requirement to obtain a Tax Clearance Certificate.

Travel Allowances for visits outside the Common

Monetary Area (CMA)

Adults - the travel allowance forms part of the discretionary allowance referred to above.

Persons under the age of 18 - R200 000 per calendar year.

Travel facilities may be provided in any authorised form. If transferred to a bank account, the allowance may only be transferred to the traveller's account and not the account of a third party.

Travel facilities not availed of during one calendar year may not be carried forward to the following year.

Travellers proceeding on visits outside the CMA are permitted to export up to R25 000 per person in South African Reserve Bank notes. This is not regarded as being part of the travel allowance.

South African Residents Temporarily Living Abroad

Such persons qualify for:

- a subsistence allowance in terms of the discretionary allowance as referred to above (if over the age of 18);
- a subsistence allowance not exceeding R200 000 per calendar year (applicable to children under the age of 18);
- exportation of household goods and personal effects and motor vehicles with a maximum insured value of R1 million.

Study Facilities

Foreign exchange study facilities are restricted to permanent residents of South Africa who are taking full time courses at recognised educational institutions abroad.

The facilities comprise:

- full amount of tuition and academic fees for the academic year transferred directly to the institution concerned;
- discretionary allowance as referred to above to cover travelling and related costs.
- exportation of household goods and personal effects up to the value of R200 000 per student.

Business Travel Facilities

Authorised dealers may approve applications by businesses for omnibus travel facilities for up to R20 million per calendar year for allocation at the discretion of the business. Representatives of the business using this facility also qualify for the travel allowances referred to above.

Foreign Investment by South African Residents

Individuals

Private individuals over the age of 18 years are permitted to invest an amount of R4 million per annum outside the CMA. A tax clearance certificate must be obtained from SARS prior to the transfer of funds. These funds may not be utilised to invest directly or indirectly back into South Africa.

The Reserve Bank will also consider applications by private individuals to invest in fixed property in SADC member countries against submission of a tax clearance certificate.

South African Resident Companies

Requests to invest overseas are considered on merit. The investor will be required to motivate that the investment will result in a long-term benefit to the South African economy. Similarly, major corporates may apply to establish primary listings offshore. The outward investment limit was increased from R50 million to R500 million in October 2009.

Dividends declared and paid by foreign subsidiaries after 26 October 2006 may be retained offshore and utilised for any purposes, except for loans into the CMA.

Institutional Investors

Long term insurers, pension funds and fund managers may invest 25% of total assets offshore. Collective investment schemes and investment managers may invest 35% of the total retail assets under management offshore.

Royalties and Licence Fees

Agreements by South African companies to pay royalties, licence and patent fees to non-residents in respect of the local manufacturing of a product are subject to approval from the Department of Trade and Industry (on behalf of the Exchange Control authorities).

Agreements by South African companies to pay royalties, licences and patent fees to non-residents where no local manufacturing is involved, are subject to approval from the Exchange Control authorities.

The payment of royalties to non-residents is generally not approved where the royalties stem from intellectual property initially devised in South Africa.

Non-Residents

Non-residents may freely invest in the Republic, provided that suitable documentary evidence is received in order to ensure that such transactions are concluded at arm's length, at fair market-related prices, and are financed in an approved manner. Such financing would require prior exchange control approval.

Capital Transactions

Proceeds from the sale of assets in South Africa, owned by non-residents (excluding blocked assets of emigrants), may be remitted abroad.

Dividends

Dividends declared by listed companies are remittable to non-resident shareholders. An emigrant shareholder will be entitled to dividends declared out of income earned after the date of emigration.

Dividends declared by unlisted companies are remittable in proportion to percentage shareholdings. Dividends in favour of emigrant shareholders may be remitted subject to additional requirements.

Directors Fees

Authorised dealers may transfer directors fees to non-resident directors permanently domiciled outside South Africa, provided the application is accompanied by a copy of the resolution of the board of the remitting company, confirming the amount to be paid to the beneficiary.

Management and Administration Fees

Authorised dealers may approve payment of management and administration fees, taking into account the reason for the fees, nature of the services and the basis of calculation. Fees calculated on the basis of a percentage of turnover, income, sales or purchases are generally not approved.

Emigrants from South Africa

Emigrants qualify for:

- a cash allowance;
- an annual foreign capital allowance; and
- exportation of certain items.

Cash Allowance

Emigrants qualify for a cash allowance equal to the annual discretionary allowance available to South African residents.

Foreign Capital Allowance

- up to R4 million per annum per single person; or
- up to R8 million per annum per family unit, less any amount invested in terms of the foreign investment allowance.

Individuals who have emigrated and who have not fully utilised the authorised foreign capital allowance, may be afforded additional capital transfers within the overall limits.

Quoted securities may be exported as part of the emigration facilities based on their market value at the time of utilising the foreign capital allowance. The relevant securities must be restrictively endorsed.

Exportation of Goods

Emigrants may export household and personal effects and motor vehicles within the overall insured value of R2 million.

Further Regulations

- Foreign assets held by an emigrant are not deducted from the facilities mentioned above; and
- Emigrants must declare whether any assets were received as donations or gifts within the last 3 years or as capital distributions from inter vivo trusts within the last 3 years, prior to the date of emigration.

Blocked Funds

Assets of an emigrant in excess of the above allowances remain blocked in South Africa. They must be brought under the control of an authorised dealer and may be released for payment of specified investments and/or expenses.

Emigrants can, on application, request to transfer blocked assets in excess of the foreign capital allowance limits, subject to an exit schedule approved at the discretion of the South African Reserve Bank.

Blocked assets are required to be invested in prescribed assets as determined by the South African Reserve Bank.

Certain income from a South African source may be remitted to emigrants. A detailed listing is available on request.

Distributions from Estates

Bequests and the cash proceeds of and inheritances due to heirs permanently resident outside South Africa may be remitted abroad, subject to the adherence to prescribed procedures where the legatee is an emigrant.

NAMIBIA

Tax Year

The tax year-end for individual taxpayers is 28/29 February of each year. Companies and close corporations follow their financial reporting period (usually a year).

Individual Tax Rates

Taxable Income (N$)	Tax rate (N$)
Up to 40 000	Not Taxable
40 001 - 80 000	27% for each N$ above 40 000
80 001 - 200 000	10 800 + 32% for each N$ above 80 000
200 001 - 750 000	49 200 + 34% for each N$ above 200 000
Over 750 000	236 200 + 37% for each N$ above 750 000

Contributions to pension, provident and retirement annuity funds and premiums on educational policies are tax deductible up to N$ 40 000 per annum.

Company Tax Rates

Non-manufacturing, petroleum mining and non-mining companies (including branches of foreign companies and insurance companies) and close corporations are taxed at a rate of 34%.

Registered and approved manufacturing companies and close corporations are taxed at a rate of 18% for the first 10 years, and at a rate of 34% thereafter.

Hard rock mining companies (other than diamond mining, oil and gas extraction) are taxed at a rate of 37.5%.

Diamond mining taxable income is taxed at 50%. A 10% surcharge is levied on tax payable giving rise to an effective rate of 55%.

Retirement funds are exempt from income tax.

Capital Gains Tax (CGT)

There is no CGT system in Namibia. Certain capital gains are, however, specifically included in Gross Income.

Withholding Tax

- Dividends: 10% if the beneficiary is a company holding more than 25% capital in the Namibian company and 20% in all other cases;
- Royalties paid to non-residents are subject to 10.2% withholding tax;

- Interest: 10% withholding tax on interest paid by Namibian Banks and Unit trusts. Not applicable to companies. There is no withholding tax if interest is paid from a Namibian company to a non-Namibian company. It might be subject to tax in Namibia, based on the source of the income, but it is not a withholding tax.
- Fees and services: 25% withholding tax on management, technical, entertainment, director's fees and all similar fees paid by Namibian Resident to Non-resident. DTA's could provide relief. (New law, effective 31 December 2011)
- Double Taxation Agreements (DTA) may override these withholding taxes. There are DTA's with France, Germany, India, Mauritius, South Africa, Romania, Russia, Sweden and the United Kingdom.

Estate Duty/Donations Tax

There is currently no estate duty nor donations tax.

Transfer Pricing and Thin Capitalisation

Transfer pricing legislation was introduced with effect from 14 May 2005. The legislation regulates international goods or service transactions between connected persons, and permits Revenue to disallow certain expenditure/adjust income if the contract price is less or more than the price would have been between parties dealing at arm's length.

Thin capitalisation rules were also introduced in 2005. These regulate the financial assistance granted by non-residents to connected Namibia companies. Interest paid on that portion of any foreign connected party loan which is considered to be excessive is denied as a deduction.

Value Added Tax (VAT)

- The standard rate applicable is 15% on taxable supplies.
- Zero ratings and exempt supplies apply to certain goods and services.

BOTSWANA

Tax Year

Companies and individuals are assessed on an annual basis as at 30 June.

Company Tax Rates

Resident companies	22%
Resident manufacturing companies (Approved*)	15%
Non–resident companies	22%
International Financial Services Centre (IFSC) Companies	15%
All other income	25%
Pension and Provident Fund not approved by the Commissioner General	7.5%

* A specific application must be submitted to the Ministry of Finance and a Development Approval Order obtained, in order to qualify for the special rate applicable to manufacturers.

According to the budget announcements in Botswana on 7 February 2011, the two-tier system of collecting corporate tax is to be abolished. Under the two-tier system, a basic company tax of 15% and an Additional Company Tax (ACT) of 10% is levied. This will be consolidated into a single corporate tax rate of 22% and withholding taxes will no longer be available for set-off against ACT. The withholding tax on dividends will be 7.5%.

Capital Gains Tax

Capital gains tax is charged on gains arising on the disposal of certain assets, irrespective of whether the taxpayer is a resident or not, at a maximum of 25%.

Capital gains subject to tax include gains on all movable and immovable property of a business carried on in Botswana and investments in shares or debentures of a Company.

However, gains arising in respect of the following are exempt:

- principal private residence;
- shares and debentures of a public company; and
- plant and machinery, but not buildings, in respect of which annual allowances have been granted, subject to income tax and gains arising from disposal of mineral rights and mining or prospecting information.

100% of net gains on immovable property will be taxable, whereas only 75% of net gains on movable property will be taxable.

Capital losses may be carried forward for a maximum of one year.

Withholding Tax

- With effect from July 2011, the withholding tax (WHT) on dividends will be reduced from 15% to 7.5%. Withholding will, however, no longer be available for set-off against ACT which will be abolished upon the introduction of the single corporate tax.
- Payment of interest to a non-resident is subject to WHT of 15% on payment.
- Commercial royalties and management or consultancy fees paid to non-residents are subject to 15% WHT.
- 10% WHT is deductible on entertainment fees paid to a non-resident.
- 3% WHT is deductible on construction contracts that are in excess of Pula5 000, but the withholding tax does not apply to construction related services.

Self Assessment Tax (SAT)

Under this scheme, tax is payable on a quarterly basis in advance with a final payment due during the first 4 months of the subsequent financial year. The scheme is at present only applicable to companies. The quarterly payments must not be less than 20% of the actual liability for the relevant tax year. SAT is mandatory for companies with tax payable of over Pula50 000.

Individuals

The maximum tax rate for individuals is 25% which applies to income of Pula144 000 and more.

According to the sliding scales, the first Pula36 000 is tax-free (only applicable to residents).

Value Added Tax

Introduced on 1 July 2002.

The standard rate of 12% applies to taxable supplies. Certain services or supplies are either zero-rated or exempt.

Compulsory registration is required for those persons whose taxable turnover is in excess of Pula500 000 and all auctioneers, irrespective of their annual turnover.

There are 2 categories of VAT periods, those of 1 calendar month (if turnover is over Pula12 million) and those of 2 calendar months.

MOZAMBIQUE

Tax Year

The tax year coincides with the calendar year. Companies may, however, be granted approval to adopt their financial year end as their tax year end.

Corporate Income Tax (Imposto sobre os Rendimentos das Pessoas Colectivas - IRPC)

Resident companies are taxed on worldwide income whilst non-residents are subject to tax only on income which has its source in Mozambique.

Corporate tax rates

The rate of IRPC is 32%, subject to the following exceptions:

Specific Categories	Rate
Agricultural or livestock activities, until 31 December 2010	10%
Income subject to withholding tax at source (e.g. interest, certain dividends and royalties)	20%
Entities that do not have headquarters, effective management nor a permanent establishment in Mozambique	20%
Entities which do not have headquarters, effective management nor a permanent establishment in Mozambique where income is derived from rendering services relating to international telecommunication and transport as well as assembling and installation of equipment related to the latter entities	10%
Withholding tax on dividends from shares listed on the Maputo Stock Exchange	10%
Expenses not duly documented and those of a confidential or illegal nature (unsubstantiated payments)	35%

Individual tax (Imposto sobre as Rendimentos das Pessoas Singulares - IRPS)

Resident individuals are taxed on their world-wide income whilst non-residents are taxed on their Mozambique sourced income.

Income is taxed under separate schedules for:

- employment
- trade and business
- capital gains
- real estate
- other income

The top marginal rate is 32%.

Value Added Tax (Imposto sobre o Valor Acrescentado - IVA)

VAT is chargeable on the supply of goods and services in Mozambique as well as upon the importation of goods.

Exemptions from VAT include certain education, health and banking activities as well as supplies related to certain public benefit organisations.

The standard rate of VAT is 17% but subject to a number of exceptions, including:

- zero rating of qualifying exports
- a fractional rate for items subject to a fixed pricing regime, such as fuel
- a 5% rate under a simplified system whereby the supplier is denied input credits

Double Taxation Agreements

Comprehensive double taxation agreements are in force with Italy, Mauritius, Portugal, United Arab Emirates, South Africa and Macau.

Estate Duty / Donations Tax

The rate varies between 2 and 10% depending on the closeness of the relationship to the beneficiary / donee. For example, payments to direct descendants would attract tax at 2%, whereas payments to unrelated parties would attract tax at 10%.

ZAMBIA

Budget Overview

The November 2011 Zambia Budget Address for the year 1 January 2012 to 31 December 2012 was delivered to the National Assembly by the Minister of Finance and National Planning, Honorable Alexander B. Chikwanda, MP on Friday 11 November 2011.

The theme for this year's budget is: "MAKING ZAMBIA A BETTER PLACE FOR ALL".

This is the first budget presented by the new Government of the Patriotic Front.

During the speech the Minister addressed four significant areas as follows:

- Global economic developments economic review in 2011 and the outlook for 2012
- Microeconomic objectives, polices and strategies in 2012
- Presentation of the 2012 Budget
- Conclusion of speech

The Minister stated that the global economy has continued its recovery from the recession and annual growth is projected at 4.0 % slightly lower than 5.1% recorded in 2010. Economic growth was strong in the emerging and developing economies, with growth in Sub-Saharan Africa of 5.2% in 2011.

In contrast, growth in the advanced economies, at 1.6% continued to be sluggish largely on account of unsustainable sovereign debts in some Euro Zone countries and weak demand in United States of America.

The strong growth in emerging economies and political unrest in North Africa and Middle East have kept international commodity prices high. International food prices have also been generally high in 2011 mainly on account of supply constraints.

In the domestic economy, it is expected that the economy will grow by 6.5% in 2011. The main drivers of this growth are Agriculture, manufacturing, construction and transport and communications.

The Government's expectation is that interest rates will continue the downward trend and the Bank of Zambia has taken steps to enhance the liquidity available to banks by lowering the reserve ratios. This can only be justified with a lower interest rate regime.

The Annual inflation rate has remained in single digits and was 8.7% percent in October 2011 compared to 7.9% in December 2010. The recent reduction in fuel prices should reduce inflation by the end of this year.

In line with the 2012 Budget the honorable Minister concluded by declaring the Government's vision of ensuring that the benefits of the recent economic success are felt by every Zambian thus the theme of the 2012 budget "Making Zambia a better place for all."

Budget Highlights For 2012

Direct Taxes

- PAYE exempt threshold increased from K1,000,000 to K2,000,000 per month.
- Abolish the 40% upper corporate tax rate for banks.
- Income tax rate for Agricultural sector reduced from 15% to 10%.
- Mineral Royalty tax increased from 3% and 5% to 6%.
- Commission payments to non residents to be taxed at 15%.
- Annual fiscal year changed and will run from 1 January to 31 December.

Value Added Tax

- VAT deferment scheme removed on copper and cobalt ores and concentrates.

Customs & Excise

- Export duty on export of copper and cobalt concentrates.
- The removal of customs duty on helicopters and micro-lites
- Increase of duty rebate threshold for travellers from $500 to $1,000

Zambia Development Agency Act

- Section 58 of the ZDA Act removed.

The Budget In Detail

Direct Taxes

All of the following measures will take effect from 1 April 2012.

Personal Tax Rates

The exempt threshold for PAYE has been increased from K1,000,000 per month to K2,000,000 per month.

Income bands p.a	Income bands p.m.	Tax rate (%)
First K24,000,000	First K12000,000	0
Next K9,600,000	Next K800,000	25
Next K34,800,000	Next K2,900,000	30
Balance over K68,400,000	Balance over K5,700,000	35

The measure is meant to give relief to all workers especially those on low income.

Revise The Corporate Tax Rate For The Banking Sector

The 40% upper corporate tax rate for banks has been abolished. With this measure, the banks will now be required to pay the standard corporate tax rate of 35%. This will help to make banks more liquid, a desirable objective to facilitate a lower cost of borrowing.

Reduce Corporation Tax For Agricultural Sector

Corporation tax for the Agricultural sector has been reduced from the current 15% to 10%. This measure is meant to increase investment and thereby raise productivity, output and incomes of farmers.

Increase Mineral Royalty Tax

Mineral royalty tax has been increased to 6% from 3% for base metals and 5% for precious metals. The measure is meant to compensate for the revenue loss arising from the reduction of tax on the Agriculture sector.

Treat All Hedging Activities As Separate Activities For Income Tax

Income arising from hedging activities has been separated from that arising from core mining activities for income tax purposes.

The measure is intended to disallow hedging losses to be treated as part of business activity and therefore become deductible when ascertaining the profits or losses of the business.

Hedging is a legitimate business strategy that businesses may use to mitigate the risks from fluctuations in prices, interest rates and exchange rates.

House Keeping Measures

1. Introduce a new penalty regime under the Turnover Tax System for submission of incorrect returns. The new penalty will be 1.5%, 3% and 4.5% for negligence, willful and fraud, respectively instead of the current 17.5%, 35% and 52.5%.
   The measure is intended to introduce penalties that are proportionate and equitable for the turnover tax system.
2. Amend the definition of charge year under the Income Tax Act.
   To harmonise the fiscal year and the charge year, the Income Tax Act will be amended. The charge year for 2012 will run for nine months from 1st April to 31 December 2012 so that the succeeding charge years from 2013 will run for a full twelve months from 1 January.
3. Amend Section 30A (1) of the Income Tax Act
   The measure is intended to eliminate a referencing error in Section 30A (1) which erroneously refers to section 23 of the repealed Mines and Minerals Act of 1995, instead of 55 (3) of the Income Act.
4. Remove requirement of a TPIN number by PACRA when registering a business or business name
   This measure is intended to correct an anomaly created by section 45B (1) because a company should first be registered with PACRA before it can be given a TPIN by ZRA upon application.
5. Change the date for submitting income tax returns to 30th June from 30 September
   The amendment is intended to align the date for submitting final returns to the new fiscal year 1 January to 31 December.
6. Change the date for submitting Provisional income tax returns to 31 March from 30th June
   The amendment is intended to align the date for submitting provisional returns to the proposed charge year.
7. Amend section 62 (3A) for the commissioner- General to accept business accounts prepared on dates other than 31 December
   The amendment is intended to align the provision of section 62 (3A) to the proposed measure to align the charge year for income tax purpose as to the fiscal calendar.
8. Amend Section 77 (1C) to adjust the due dates for provisional taxes
   The measure is intended to align the charge year for income tax purposes, to the Government fiscal year.

Value added tax

Rate of VAT

The VAT rate remains unchanged at 16%.

All of the following measures will take effect from 1 January 2012.

Removal Of Vat Deferrement On Copper And Cobalt

Currently copper and cobalt ores and concentrates are on the VAT deferment scheme.

However, with the increase in local production of copper and cobalt ores, it is no longer justifiable to retain these products on the scheme and hence the removal from the Import VAT Deferment scheme.

House Keeping Measures

1. **Amend Section 2 of the VAT Act to provide for the new accounting year for VAT purposes**
   The measure seeks to align the accounting year for VAT to the fiscal year for Government.

2. **Amend Section 2 of the VAT Act to exempt transportation of persons by road**
   The amendment is intended to re-instate the omitted item on the exemption of transportation services

3. **Exempt post-secondary educational services from VAT**
   The amendment is intended to correct an error of omission whereby education services provided to post-secondary students which is an exempt item was inadvertently omitted from the First Schedule of the VAT Act

Customs And Excise

All of the following measures will take effect from 1 January 2012.

1. **Export Duty On Copper And Cobalt Concentrates**
   In 2006, Government introduced an export duty of 15% on the export of copper and cobalt concentrates in order to encourage local value addition and create employment.
   This policy is discriminatory as it does not apply to other minerals thereby creating an uneven playing field. The Government has therefore reduced export duty to 10% but also extended the reduction to all unprocessed or semi processed mineral ores.

2. **Removal Of Customs Duty On Helicopters And Micro-Lites**
   In 2007, the Government removed customs duty on light passenger aircraft. This has been extended to cover helicopters and micro-lites. The measure is meant to promote tourism.

3. **Duty Rebate**
   Currently, the duty rebate threshold on travellers' effects is US$500. This has been increased to US$1,000 and the measure is to benefit travellers' coming with accompanied personal effects from outside the county.

4. **Duty on spirits and wine industry**
   The disparities in the spirits and wine industry on rates applied have been corrected by reducing duty and changing the valuation base for duty purposes. The measure is intended to lower duty rates on wines and spirits to competitive levels relative to rates obtained in the SADC region.

5. **House Keeping Measures**
   - Revoke the Customs and Excise Regulation that suspended duty on agricultural tractors and amend the customs duty rate on the tariff code for these goods to free.
     The measure is intended to harmonise the duty rate on tractors so that the agricultural tractors are duty free like those already at the tariff rate of zero.
   - Revise the Public benefit Organisation regulations to streamline and simplify the approval process.
     The measure is intended to simplify the approval processes and the granting of incentives to deserving Public Benefit Organisations.

6. **Incentives Under The Zambia Development Agency Act**
   Section 58 of the ZDA Act had been removed. The section provides discretion and lacks transparency thereby creating opportunities for corruption.
   The measure is to prevent leakages in the tax system and strengthen the quest for enhanced revenue mobilisation.

COMPARATIVE TABLE OF TAXES PAYABLE IN CERTAIN SOUTHERN AFRICAN STATES

	South Africa	Zambia	Botswana	Lesotho	Namibia	Swaziland	Mozambique	Zimbabwe
COMPANY TAX							10% [N10]	
Manufacturing	28%	35%	15%	10% [N7]	18% [N6]	30%	32%	20% [N13]
Normal non-mining, local	28%	35%	22% (N19)	25%	34%	30%	32%	25% + AIDS levy 3%
Non-resident Branch	28%	35%	30%	25%	34%	30% + 15%	32% [32% N5]	
Mining and other	28% [N14]	10% - 45% [N12]	22%	25%	37.5%	30%		15%
INDIVIDUAL TAX								
Maximum rate	40%	35%	25%	35%	37%	33%	32%	45% + AIDS levy 3%
Non-residents				35%				
Level of taxable income at which maximum rate applies	ZAR617,001	ZMK680,400,001	BWP144,000 BWP 36000	LSL40,368	NAD750,000	SZL100,000	MZM1,512,000,001	USD120,000
OTHER TAXES				35%				
Distributed Profits Tax	10% [N15]	-	-	-	-	-	20%	0%
CGT	13.3% - 26.6% [N9]	-	25%	0%/25% [N1]	-	30% [N3]	- [N1]	20%/5% [N16]
VAT	14%	16%	12%	14%	15%	14%/25%	17%	15%
NRST		15%	7.5%	25% [N8]	10%	15% [N4]	20%	15%/10% [N17]
NRTI	- (N18)	15% [N11]	10%	25%	10%	10%	20%	0%
NRTF		-	10%	10/25%	-	15%	10/20%	15%
Royalty Tax	15% (N20)	15%	10%	25%	25%	15%	20%	1 - 15%
Dividend withholding tax	15% (N15)	15%	8%					

The table has been compiled from information supplied and is subject to confirmation

N1 Part of business income
N2 Diamond mining
N3 Only on disposal of mineral rights
N4 12,5% for companies in Botswana, Lesotho, Mozambique, Namibia & South Africa
N5 Tax free zone operators and enterprises
N6 35% after 10 Years
N7 0% for certain manufacturing companies which export exclusively outside SACU countries
N8 Applies to branch profits as well.
N9 Individuals - 13.3%; companies - 18.6%; trusts - 26.6%
N10 Until 31st December 2010 (will probably be extended)
N11 Interest to individuals on Treasury Bills - 25%
N12 E.g. farming and non-traditional exports - 15%, Banks - 35% (40% rate on banks has been abolished. They now pay 35% on their entire profits). Mining companies pay tax at 30% and then at a variable rate above 8% of gross sales.
N13 20% rate for manufacturing applies where at least 50% of goods are exported from Zimbabwe.
N14 Gold mining according to formulae
N15 STC to be replaced by the Dividends Tax with effect from 1 April 2012. STC and the Dividends Tax are not applicable to distribution of branch profits and STC is not applicable to gold mines who elect STC exemption
N16 The rate of CGT on specified assets acquired prior to 1 February 2009 is 5%
N17 Reduced rate applies to listed shares in Zimbabwe
N18 To come into effect from 1 January 2013 at the rate of 15%
N19 International Financial Services Centre (IFSC) Companies at the rate of 15%
N20 The rate will increase from the current 12% to 15%, although the date of the proposed increase is uncertain.

RETENTION OF RECORDS

Set out below is a summary of certain recommended or statutory retention periods:

	Retention Period (years) Originals
Books of prime entry	
• Cash books, creditors ledgers, debtors ledgers, fixed asset registers, general ledgers, petty cash books, purchase journals, sales journals, stock records, as well as supporting documentation to such records and annual financial statements.	15
• Cheques, stock sheets (listed companies)	6
• Costing records, creditors' invoices and statements.	5
• AFS working papers, bank statements and vouchers, cheques, deposit slips, debtors' statements, purchase orders and invoices, rail and shipping documents, sales invoices, stock sheets, etc.	5
Employee Records	
• Expense accounts, employee tax returns etc.	5
• Workmen's Compensation documents.	3
• Accident books and records, payrolls, staff records, wage and salary records.	7
Companies and close corporations	
• Certificates of change of name, incorporation and to commence business, founding statements, amended founding statements, memorandum and articles of association, minute books, general and special resolutions.	Permanently
• Company registers, including branch registers	5
• Registers of directors' attendance, debenture holders, directors and officers, directors' interests, members' pledges and mortgages.	15
Share Registration Records	
• Return of allotments, register of allotments.	15
• Indemnity for lost share certificate.	Permanently
• Cancelled share transfer forms.	12
• Dividend payment list.	15
Agreements and Contracts	
• Significant agreements.	Indefinitely

RETENTION OF RECORDS (continued)

	Retention Period (Years) Originals
Other Documents	
Customs and Excise Act	
• Documentation for export incentive scheme claims.	5
• Other shipping documents.	2
Compensation for Occupational Injuries and Diseases Act	
• Records of wages paid, time and piece work and overtime records, accident records, etc.	7
Insolvency Act	
• The insolvent's records of his transactions.	3
• Trustees' records - after rehabilitation.	5
Occupational Health and Safety Act	
• A copy of the Act; an incident register, factory register, certificate of compliance (electrical) etc.	Permanently
• Record of employees exposed to asbestos fibres.	50
Value Added Tax Act	
• Books of account, records of the supply of goods to or by the vendor; invoices; tax invoices; credit and debit notes; bank statements; deposit slips; stock lists and paid cheques.	5
Information in book form – 5 years from last entry.	
Computerised records must be kept in printout form, not just on disk or tape.	
Capital Gains Tax	
All records relating to capital transactions	
• If a person is not required to render tax returns - from the date of disposal.	5
• For taxpayers - from the date of receipt by SARS of the relevant tax return.	5
Income Tax Act	
• Accounting records from date of receipt by SARS of the returns incorporating the information.	5
Microfilmed Records	
• Microfilmed record of an original reproduced directly by the camera ('the camera master')	Permanently
• If a microfilm copy, certified as required by statute, has been made, original records may be destroyed after 3 years.	

PRIME BANK OVERDRAFT RATES

Effective Date	Rate %
19.11.2010	9.00
10.09.2010	9.50
26.03.2010	10.00
14.08.2009	10.50
29.05.2009	11.00
04.05.2009	12.00
25.03.2009	13.00
06.02.2009	14.00
12.12.2008	15.00
13.06.2008	15.50
11.04.2008	15.00
07.12.2007	14.50
12.10.2007	14.00
17.08.2007	13.50
08.06.2007	13.00
08.12.2006	12.50
13.10.2006	12.00
03.08.2006	11.50
08.06.2006	11.00
15.04.2005	10.50
16.08.2004	11.00
18.12.2003	11.50
20.10.2003	12.00
16.09.2003	13.50
14.08.2003	14.50
12.06.2003	15.50
13.09.2002	17.00
14.06.2002	16.00
14.03.2002	15.00
15.01.2002	14.00
25.09.2001	13.00
16.07.2001	13.50
18.06.2001	13.75
14.01.2000	14.50
04.10.1999	15.50
02.08.1999	16.50
19.07.1999	17.00
14.07.1999	17.50
25.06.1999	18.50
19.04.1999	19.00
09.03.1999	20.00
13.02.1999	21.00
08.01.1999	22.00
07.12.1998	23.00
09.11.1998	23.50
19.10.1998	24.50
31.08.1998	25.50
31.12.1948	4.50

COMPARATIVE RATES

Companies Income Tax

Years of assessment ending on or after	Rate
1 April 1993	40%
1 April 1994	35%
1 April 1998	30%
1 April 2005	29%
1 April 2008	28%

Branches of Foreign Companies

Years of assessment ending on or after	Rate
1 April 1999	35%
1 April 2005	34%
1 April 2008	33%
1 April 2012	28%

STC

	Rate
Dividends declared on or after 17 March 1993	15%
Dividends declared on or after 22 June 1994	25%
Dividends declared on or after 14 March 1996	12.5%
Dividends declared on or after 1 October 2007	10%

To be replaced by a dividend withholding tax at 15% with effect from 1 April 2012.

SARS Interest Rates (prescribed rates)

Date from	Interest payable on outstanding taxes	Interest receivable on overpayment of provisional tax
1 September 2003	14%	10%
1 October 2003	13%	9%
1 December 2003	11.5%	7.5%
1 November 2004	10.5%	6.5%
1 November 2006	11%	7%
1 March 2007	12%	8%
1 November 2007	13%	9%
1 March 2008	14%	10%
1 September 2008	15%	11%
1 May 2009	13.5%	9.5%
1 July 2009	12.5%	8.5%
1 August 2009	11.5%	7.5%
1 September 2009	10.5%	6.5%
1 July 2010	9.5%	5.5%
1 March 2011	8.5%	4.5%

Acceptable rates on employee loans for fringe benefit purposes (official rates)

Date	Rate
1 December 2003	9.5%
1 March 2004	9%
1 September 2004	8.5%
1 September 2005	8%
1 September 2006	9%
1 March 2007	10%
1 September 2007	11%
1 March 2008	12%
1 September 2008	13%
1 March 2009	11.5%
1 June 2009	9.5%
1 July 2009	8.5%
1 September 2009	8%
1 October 2010	7%
1 March 2011	6.5%

With effect from 1 March 2011, the official rate is determined with reference to the repurchase ('repo') rate. Where the loan is denominated in rands, the official rate is 100 basis points above the repo rate. Where the loan is demonimated in foreign currency, the official rate is 100 basis points above the equivalent rate to the repo rate for that currency. Where the repo rate changes during a month, the official rate changes from the beginning of the following month.

NOTES

NOTES

Whilst every effort has been made to present the most current, correct and clearly expressed information possible, inadvertent errors can occur and are subject to change. The information is intended to serve as a general guideline and may not apply directly to specific circumstances. Nothing in this publication should be construed as advice and professional advice should be sought before acting thereupon.

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