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Budget 2013

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The Minister of Finance, Mr Pravin Gordhan, today announced a revised tax estimate for 2012/2013 of R810.2 billion. This estimate represents a reduction of R16.3 billion from the estimate made in the 2012 budget, largely as a result of weak economic growth during the second half of 2012, labour unrest and low commodity prices.

Highlights announced as part of this year's budget include:

- R7 billion in personal income tax relief to individuals;
- Employment incentives to support young work seekers and special economic zones;
- Tax relief for small businesses;
- A harmonised approach to the taxation of pension contributions, retirement annuities and provident funds; and
- A phased implementation of carbon tax.

Government expenditure for the coming year is to be allocated as follows:

Education	R232.5 bn
Public order and safety	R108.9 bn
Economic affairs	R136.6 bn
Social protection	R134.9 bn
Housing and community amenities	R132.1 bn
Health	R133.6 bn
General public services	R156.5 bn

Income tax - individuals

Both the minimum marginal rate of 18% and the maximum marginal rate of 40% have remained unchanged. The upper level of the band to which the 18% rate applies has been increased from R160 000 to R165 600 and the level at which the maximum rate is applicable has been increased from R617 000 to R638 601. The intervening brackets have all been adjusted upwards.

The proposed scale of rates for individuals and trusts is set out in the appendices. The new scale of rates for individuals will be applicable for years of assessment beginning on 1 March 2013**.**

The primary rebate is increased from R11 140 to R12 080, whilst the secondary rebate for individuals aged 65 years or older increased from R6 390 to R6 750. The third rebate for individuals 75 years and older has been increased from R2 130 to R2 250.

As a result of the amendments to the scale of rates and the rebates increasing, the tax threshold for individuals below the age of 65 is increased from R63 556 to R67 111, and for individuals aged between 65 and 75 from R99 056 to R104 611. The tax threshold for individuals 75 years and older increases from R110 889 to R117 111.

The resultant decrease in the tax liability for individuals younger than 65 is illustrated below:

Taxable income R	2012/2013 R	2013/2014 R	Decrease R
75 000	2 060	1 420	640
150 000	15 560	14 920	640
500 000	123 040	120 486	2 555
1 000 000	320 700	317 685	3 015

The interest exemption for individuals increases from R22 800 to R23 800 for individuals under the age of 65 and from R33 000 to R34 500 for individuals over the age of 65.

Medical deductions and conversion to medical tax credits

Monthly tax credits for medical scheme contributions will be increased from R230 to R242 for the first two beneficiaries, and from R154 to R162 for each additional beneficiary. The amendments will come into effect from 1 March 2013.

Travel allowances

The deemed cost tables for travel allowances has increased as well as the deemed tax free reimbursive rate for business travel (R3.24 per kilometre) for business kilometres not exceeding 8 000 kilometres per annum.

Subsistence allowances

Tax-free subsistence allowances paid by an employer to an employee will be increased as follows:

- Meals and incidental costs - from R303 to R319 per day;
- Incidental costs only – from R93 to R98 per day; and
- Overseas travel – as set out on the SARS website per overseas country.

Miscellaneous matters

Employment tax incentives

It is proposed to introduce an employment tax incentive to assist young people entering the job market, to gain valuable experience and access career opportunities. This inventive will create a graduated tax incentive at the entry level wage which falls to zero when the earnings reach the personal income tax threshold.

Old age grant

Government proposes to establish a universal old age grant, phasing out the means test by 2016. All citizens will be eligible for the grant, irrespective of income level.

Cross border remuneration and retirement savings

With regard to cross border services, South African tax residents are subject to worldwide tax, subject to the foreign earnings exemption. At issue, is whether the worldwide tax regime of South African services should be extended (subject to relevant credits), especially if a South African employer is involved.

With regard to cross border pensions, South African residents working abroad and foreign residents working in South Africa contribute to local and foreign pensions funds, which gives rise to tax issues. With overall retirement reform in effect, cross border pension issues need to be fully considered.

Retirement savings reforms

Individuals' contributions to pension and retirement annuity funds are tax deductible. The deductibility of such contributions, as well as contributions to provident funds and employer contributions (that will constitute fringe benefits) will be increased to 27.5 per cent of the greater of remuneration or taxable income (excluding retirement annuity or lump sum income).

For equity reasons, an annual cap on deductible contributions of R350 000 will be applied.

Tax treatment of contributions to pension, retirement annuity and provident funds will be harmonised, allowing provident fund members to receive a tax deduction on their own contributions. Vested benefits will be protected as balances in provident funds at the date of implementation and subsequent growth will not be required to be annuitised.

It is proposed, however, that future contributions made to provident funds after an agreed date be subject to the same annuitisation requirements applicable to retirement annuity and pension funds. This requirement will not apply to provident fund members older than 55 years at the date of implementation. New employees can still join and contribute to existing provident funds, and new funds can be created subject to the same tax and annuitisation rules. This will reduce the complexity of the retirement system significantly.

Contributions in excess of the annual caps may be rolled over to future years. Any non-deductible contributions remaining at retirement will be set off against any lump sum or annuity income before tax is calculated to avoid double taxation.

Specific provisions will need to be made for defined-benefit pension plans and will require further engagement with industry.

Employment share schemes

Employers may offer staff equity schemes as part of the employee's compensation package. These arrangements may offer overall reduced tax rates for high income earners. Schemes for lower income taxpayers may sometimes be subject to certain anomalies that may give rise to double taxation and a special dispensation will be proposed to ensure uniform tax treatment of these schemes. The way in which employers claim deductions will also be reviewed.

Disability on income protection policies

Government proposes a more consistent treatment in disability and income protection policies so that all non-retirement fund disability and income protection policies conform to the overall tax paradigm of non-deductible contributions and exempt payouts.

Relief for low-cost employer provided housing

The fringe benefit tax is often unaffordable for low-income earners. To attain a more stable workforce and adequate housing, government proposes to provide fringe benefit tax relief for lower –income earners.

Employer provided bursaries

The rules governing the exemption of fringe benefits taxation for bursaries provided to relatives of employees will be reviewed. It is proposed to increase the relevant monetary thresholds. Thresholds currently exist for bursaries to students attending tertiary institutions and those at schools.

Taxpayers with multiple sources of income

Government will address the issue resulting from taxpayers being faced with higher than expected tax liabilities on assessment due to the aggregation of incomes. Affected taxpayers include people with more than one job and people who receive multiple pensions. Various options will be considered.

Corporate tax

Corporate tax rate

The corporate tax rate remains unchanged at 28%.

Corporate Restructuring

In order to ensure that artificial or excessive debt is not used in corporate restructurings to erode the tax base (by effectively eliminating any future taxable profits), government proposes changes to the tax treatment of 'acquisition debt'. Interest incurred on any excessive 'acquisition debt' utilised in a corporate restructure will be rolled over (for up to five years).

Special economic zones

The following tax incentives will be introduced in special economic zones, building on the industrial development zone policy:

- A 15 per cent corporate income tax rate for businesses in such areas;
- A tax deduction for employment of workers earning less than R60 000 per year; and
- An accelerated depreciation allowance for buildings in these areas, similar to the existing regime for urban development zones.

Reforms to the biodiversity tax incentive

Government proposes to modify the rules concerning tax incentives for biodiversity management:

- The limitation of not allowing a rollover of donations in excess of 10 per cent of taxable income will be scrapped.
- New valuation rules will apply for capital gains tax purposes where private land is set aside as a protective area.
- Certain conservation capital and maintenance expenditure will be allowed as deductible tax expenses.

Refinement of proposed real estate investment trust ('REIT') regime

It is proposed that the REIT regime will be extended to unlisted REITs, wholly owned entities of private and government pension funds, long term insurers and real estate entities subject to property syndication regulations that are expected to be released in due course.

Regulation of hedge funds

It is proposed for hedge funds to fall under existing collective investment scheme legislation provided that unit holders will be required to treat their earnings as ordinary revenue when realised.

Ancillary aspects to pipelines

Ancillary equipment (such as electrical wiring and certain related components) will be depreciable to the same extent as the underlying pipelines.

Other miscellaneous proposals

Research will be undertaken during 2013/14 on a number of topics, including:

- The effectiveness of various tax incentives.
- The taxation of various innovative financial instruments.
- A single unified treatment of dividend cessions and dividend compensation payments. Certain anti-avoidance rules to eliminate the shifting of income from taxable parties to exempt parties are also considered.
- An exemption for shipping income to attract international shipping.
- Debt relief to assist distressed debtors (such as business rescue) from VAT input tax claw-back provisions.
- The default application of the turnover apportionment method to non-financial sectors for VAT purposes.
- The alignment of new pension margin requirements with related tax rules.

Mineral and petroleum royalties

The Mineral and Petroleum Resources Royalty Act (2008) will undergo refinement. Areas that will be refined include the following:

- the appropriate specified condition of mineral extraction acting as a reference point to calculate the mineral royalty tax base;
- interaction of the royalty regime rate with the income tax calculation; and
- information reporting requirements.

Small business corporations

Treasury proposes that the R14 million turnover threshold for small business corporations be increased to R20 million and that the graduated tax structure for such corporations be revised. Treasury proposes to increase the tax-free threshold for small businesses from R63 556 to R67 111.

The application of the same rate structure to the trading activities of public-benefit organisations (PBOs) will also be explored. The feasibility of special support for social-impact businesses, which have both profit-making and social objectives, is being explored. Encouraging investment in such businesses is in line with the policy objectives of small business development, social solidarity and job creation.

Public-benefit organisations

Donations to certain approved PBOs are deductible up to 10 per cent of taxable income in the year the donation is made. Donations in excess of this figure cannot be carried forward. Treasury proposes to allow donations in excess of 10 per cent of taxable income in any given year to be rolled over as allowable deductions in subsequent years. Treasury is also considering rules governing the amount of funding that must be distributed where PBOs provide funding to other PBOs.

Reforming the taxation of trusts

Treasury have introduced proposals to curtail tax avoidance associated with trusts. Treasury has indicated that certain aspects of local and offshore trusts have long been a problem for global tax enforcement due to their flexibility and flow-through nature. Also of concern to Treasury is the use of trusts to avoid estate duty. The proposals that Treasury propose are as follows:

- Discretionary trusts should no longer act as flow-through vehicles. Taxable income and loss (including capital gains and losses) should be fully calculated at trust level with distributions acting as deductible payments to the extent of current taxable income. Beneficiaries will be eligible to receive tax-free distributions, except where they give rise to deductible payments (which will be included as ordinary revenue). Trading trusts will similarly be taxable at the entity level, with distributions acting as deductible payments to the extent of current taxable income. Trusts will be viewed as trading trusts if they either conduct a trade or if beneficial ownership interests in these trusts are freely transferable.
- Distributions from offshore foundations will be treated as ordinary revenue. This amendment targets schemes designed to shield income from global taxation.

The proposals will not apply to trusts established to attend to the legitimate needs of minor children and people with disabilities.

Tax administration

South Africa has also committed to the development of a BRICS (Brazil, Russia, India, China and South Africa) mechanism to assist in countering abusive tax avoidance, as well as the abuse of tax treaty benefits, incomplete disclosure and fraudulent claims. SARS will continue with efforts to address aggressive tax planning, base erosion and profit shifting.

A single registration process for multiple tax products will be launched to simplify registration for all businesses. VAT registration will also be streamlined.

A new company income tax form will be introduced that requires fewer fields to be completed by smaller businesses. Individuals with a single source of taxable employment income currently do not have to submit tax returns if their taxable income is below a threshold of R120 000 per year. The threshold is raised to R250 000.

SARS is testing an automated tax clearance certificate for implementation later this year. This will enable the real-time tracking of the tax compliance of the person who tendered. SARS is also following up on payments made by the state to tenderers to check whether full tax disclosure was made.

Understatement penalty provisions will be refined and relief will be provided for *bona fide* errors.

Review of long-term insurance taxation

Policies representing the risk business of long-term insurers will no longer be taxed in the policyholder funds but in the corporate (shareholder) fund. As a result, significant amounts of policy-selling expenses will be deductible against taxable premium income from risk policies and no longer against a relatively smaller investment-income tax base.

Reserving will be allowed for the risk business on a similar basis as for short-term insurers.

Revised treatment of captive insurers

New rules were proposed in 2012 that deny deductions for payments of insurance premiums to short-term insurers if the overall arrangement lacks any significant risk transfer. Risk transfer was measured from an IFRS perspective as opposed to a legal perspective.

While these rules were conceptually correct, the focus of the risk transfer should have been on the policyholder and not the insurer. Concerns also continue to exist that dividends from captive insurers most likely represent the recoupment of previous reserved amounts as opposed to dividends from underlying taxable profits. The anti-avoidance rules in this area will be revised accordingly.

These anti-avoidance rules will also be extended to long-term insurer policyholders that pay premiums to reinsurers in respect of reinsurance that similarly lacks a significant element of risk transfer.

Capital gains tax ('CGT')

The CGT inclusion rate for individuals and special trusts will remain unchanged at 33.3% as well as the rate for companies and other trusts at 66.6%. The maximum effective capital gains tax rate will therefore remain at 13.3% for individuals and special trusts, 18.6% for companies and 26.7% for other trusts.

The exemptions available to individual taxpayers also remain unchanged from 2012.

Securities Transfer Tax ('STT')

Financial intermediaries and securities transfer tax

It is proposed that certain financial intermediaries (such as banks) be exempt from the STT so that transacting on the JSE remains internationally competitive.

International tax

Withholding tax extended to cross-border service fees

Government proposes that the withholding regime be extended to cross-border service fees, subject to treaty relief. To facilitate administration, the withholding regimes in respect of interest, royalties and cross-border service fees will become effective from 1 March 2014. Prior changes to interest and royalty withholding will also be deferred until this date.

Deferral of expenditure incurred by certain connected persons

The current tax system, whilst largely appropriate, has an incentive to accelerate deductions on incurred expenditure if a connected counterparty lacks immediate (or deferred) corresponding income. This situation often arises in the case of a South African subsidiary when expenditure is incurred in relation to a foreign parent company. To limit potential abuse, deductions will be deferred until payment.

Further easing of cross-border anomalies

Certain anomalies will be removed, such as complexities associated with the calculation of the acceptably taxed exemption, the threshold for the participation exemption and transfer pricing requirements in management activities for the benefit of foreign branches. Headquarter company relief also needs to be refined to ensure it is more effective and easier to understand.

Gateway subsidiary

Offshore treasuries of local multinationals can freely move currency without regulatory approvals, creating an incentive to move offshore. To eliminate this incentive, listed South African multinationals will be allowed to treat a single local subsidiary as a non-resident company for Reserve Bank purposes, so treasury operations can remain within South Africa. In addition, these entities can use their foreign functional currency, rather than the rand, for tax calculations.

Controlled foreign company activities

Imputation for controlled foreign companies should theoretically apply only in the case of passive income and certain forms of income likely to lead to transfer pricing avoidance. Certain anomalies have arisen where active offshore research and development activities appear to fall within the net, as well as international shipping activities, international pipelines and commodity hedges associated with active operations. It is also a concern that intra-controlled foreign companies' insurance premiums are not receiving the same relief as their other payments. These anomalies will be removed.

Removal of source focus for initial copyright authors

Under current law, the initial author of a copyright is exempt from tax on a foreign source of income if that source is subject to foreign tax. This relief was initially enacted in line with source principles many years ago. With the shift to worldwide taxation in 2001, this relief no longer makes sense and should be removed.

Streamlining currency taxation

The current tax calculation of currency gains and losses is extremely complex and not in sync with accounting principles. The currency taxation rules are being simplified, especially in regard to the capital gains tax and basic measurement methods (for example, spot versus weighted average). A longer-term shift is being considered towards an IFRS approach.

Indirect Tax

VAT

National Treasury is considering a number of policy and legislation amendments specific to VAT during 2013 as outlined below.

Motor vehicles that are capable of accommodating only one person could be eligible for an input VAT deduction. As these vehicles are also used for recreational purposes, no input VAT will be allowed to vendors.

Under an instalment credit agreement, a debtor makes a deemed supply of goods to the creditor if the creditor (at their discretion) repossess those goods. With the introduction of the National Credit Act (2005) a debtor may similarly surrender goods supplied under and instalment credit agreement. It is proposed that the rules should be the same regardless of whether the creditor or the debtor is exercising discretion to surrender goods.

Special time of supply rules will be introduced for supplies of services where the consideration cannot be determined upfront due to a contingent future event. In such cases, the time of supply will be earlier of when the payment is due or received, or when an invoice is issued.

It is proposed that in-flight entertainment will be eligible for input VAT like meals and refreshments (which are currently not disallowed for airlines).

Currently, a valid tax invoice must be issued in rands and the VAT Act does not prescribe how to deal with transactions conducted in foreign currency. In cases where tax invoices are issued in foreign currency, the spot rate agreed between parties will be used for converting the foreign currency into rands. In absence of an agreement, the spot rate on the date of the supply should be used.

Developers that use temporary relief by letting the residential fixed property are required to furnish SARS with a declaration containing certain information within 30 days of the supply. It is proposed that vendors retain this information as part of the normal record keeping requirements.

Legislation is proposed to confirm that no notional input VAT deduction will be allowed in the case of conversion of a share block company to a sectional title.

It is proposed that the supply of services by a home owners association to its members would be an exempt supply.

It is proposed that property cooperatives supplying membership units will be treated in the same manner as share block companies.

Pursuant to the new export incentive scheme, relevant changes would be made in the VAT Act to extend zero rating of exports.

VAT relief will be extended on imported goods that are destroyed, damaged or abandoned after entering for home consumption. Similar reliefs are available under the Customs and Excise Act.

Foreign businesses supplying digital products in South Africa will be required to register for VAT purposes in South Africa.

Pooling arrangement that exist in the agricultural and rental markets to simplify VAT administration will be reviewed and possible legislation will be promulgated in 2014.

VAT relief is proposed for the Square Kilometre Array project through a refund mechanism or the zero rating of consideration received by the project and for imported goods and services.

It has been proposed that VAT registration will be streamlined to ease the compliance burden while guarding against fraud.

VAT relief has been proposed on fuel sales. For the purpose of this relief, it would be assumed that 20 per cent of the petrol sales and 90 per cent of the diesel sales are used for business purposes which would qualify for input VAT.

Excise Duties

It has been proposed that the Excise duty will increase on the following products with effect from 27 February 2012, by the following percentages:

Cigarettes:	5.80% from R10.32 to R10,92 per 20 cigarettes
Cigarette tobacco:	10.00% from R11,05 to R12,16 per 50g cigarette tobacco
Cigars:	7.00% from R53,05 to R56,76 per 23g of cigars
Pipe tobacco:	9.90% from R3,22 to R3,54 per 25g pipe tobacco

Unfortified wine:	8.00% from R2,50 to R2,70 per litre
Sparkling wine:	10.00% from R7,53 to R8,28 per litre
Fortified wine:	5.70% from R4,59 to R4,85 per litre
Spirits:	10.00% from R111,64 to R122,80 per litre absolute alcohol
Malt beer:	7.5% from R59,36 to R63,81 per litre absolute alcohol
Ciders & alcoholic fruit beverages:	7.40% from R2,97 per litre to R3,19 per litre

Carbon Tax

Treasury has proposed a carbon tax as part of South Africa's efforts to mitigate the effects of climate change. Treasury proposes to phase the tax in over time. During the first phase of implementation (between 2015 and 2020), a basic tax-free threshold of 60 per cent is proposed , as well as offset percentages of 5-10 per cent to allow emission-incentive and trade exposed industries to invest in projects outside their normal operations to help reduce their carbon tax liability.

With effect from 1 January 2015, a carbon tax at a rate of R120 per ton of CO_2 equivalent is proposed, with the rate increasing by 10 per cent a year during the first phase of implementation. An updated policy paper will be published by the end of March 2013 for further comments and consultation.

Some of the revenues generated through the carbon tax will be recycled to fund the energy-efficiency savings tax incentive. A gradual phasing out of the electricity levy as the carbon tax is phased in is also being considered.

CO_2 Emissions Tax

Treasury proposes an increase in the CO_2 emission tax for passenger vehicles from R75 to R90 for every gram of emission/km above 120 gCO_2/km. In the case of double cabs, the increase would be from R100 to R125 for every gram in excess of 175 gCO_2/km. It is proposed that the increase will be effective from 1 April 2013.

Certified Emission Reductions Tax Incentive

Income from primary certified emissions reductions has been exempt from income tax from 2009 to 2012. In light of the adoption of a second commitment period of the Kyoto Protocol, government proposes to extend the incentive to 31 December 2020.

Plastic Bag and Incandescent Light Bulb Levies

Levy on plastic bags increased from 4c/ bag to 6c/ bag with effect from 1 April 2013. Further, environmental levy on incandescent light bulbs have increased from R3 to R4 per light bulb with effect from 1 April 2013.

Fuel Levy and Road Accident Fund ('RAF')

It is proposed that the general fuel levy on petrol and diesel be increased by 22,5 c/l. The new multiproduct pipeline levy (7.5c/l) was introduced in April 2010 for 36 months which will end on 2 April 2013.

It is proposed to increase the RAF levy on petrol and diesel by 8 c/l.

These increases will come into effect on 3 April 2013.

Miscellaneous tax amendments

Business (general)

Share cross-issues

The current rules relating to share cross-issues will be reworked during the coming revenue cycle to allow taxpayers to obtain a base cost in respect of shares acquired from cross-issues. The changes will be effected to cater for the commercial realities associated with share schemes (including BEE initiatives) and to prevent abuse (such as the offshore migration of taxpayers without incurring an exit charge). As a consequence, share-for-share transactions will trigger immediate taxation to the extent that it is used to indirectly shift value to non-taxable parties.

Business (financial institutions)

Banks and brokers

Further refinements are proposed for the mark-to-market income tax legislation initially envisaged in 2012, but these will be deferred until 2014 to allow for further consultation. The principal refinements now proposed include:

- extension of the persons covered by the legislation to include other companies within regulated banking groups to avoid mismatches between the new mark-to-market system and the historic system of realisation;
- specific rules to prevent artificial losses from dividend transactions;
- disregard of assets and liabilities not recognised under IFRS; and
- further consideration of the differences between the accounting treatment for impairments of financial assets and the tax treatment of bad and doubtful debts.

Business (incentives)

Oil and Gas incentive

The oil and gas incentive will be streamlined to simplify compliance and to remove anomalies that left certain entrants in a worse position than previous stakeholders.

Tenant improvements

Commercial tenants who undertake substantial improvements to rented properties were previously not entitled to claim the depreciation allowance available to owners. The owner basis for the allowance in respect of such improvements will now be converted to a possession and use test.

Trading stock cost calculations

The tax cost price of trading stock will be treated consistent with IFRS principles without the need for SARS approval.

Closure of unintended claims for the research and development incentive

The research and development incentive will be adjusted to exclude the misuse thereof to assist in routine upgrades and standard adjustments.

Mining dewatering association

Despite the current exemption for mining rehabilitation entities, a comparable exemption does not exist for a mining dewatering association, which restores water levels adversely impacted by mining. The exemption of such an association (funded by mining houses) is under consideration.

Incentives for the construction of affordable housing

A tax incentive is under consideration for developers and employers to build new housing (priced at less than R300 000 per unit). An exclusion of R60 000 per qualifying house sold is proposed.

Gambling tax

A national gambling tax will be implemented by the close of 2013. This tax will apply at a rate of 1 per cent of gross gambling revenue in addition to provincial rates.

RATES

INDIVIDUALS RATES, REBATES AND TAX THRESHOLD 2013/14	
Persons (including deceased estates) other than companies and trusts, but including special trusts and trusts established for the benefit of minor children	
Taxable income (R)	**Rates of tax**
0 – 165 600	18% of each R1
165 601 – 258 750	R29 808 + 25% of the amount above R165 600
258 751 – 358 110	R53 096 + 30% of the amount above R258 750
358 111 – 500 940	R82 904 + 35% of the amount above R358 110
500 941 – 638 600	R132 894 + 38% of the amount above R500 940
638 601 and above	R185 205 + 40% of the amount above R638 600
Rebates (applicable to individuals only)	
Primary	R12 080
Secondary	R6 750
Third	R2 250
Tax threshold	
Below age 65	R67 111
Age 65 to below 75	R104 611
Age 75 and older	R117 111
Capital gains exclusions	
Primary residence	R2 million
Individuals and special trusts	R30 000
Exclusion on death	R300 000
Person over 55 disposing of business	R1.8 million

TRUSTS (OTHER THAN SPECIAL TRUSTS)	
Flat rate	40%

TURNOVER TAX FOR MICRO BUSINESSES	
Turnover (R)	**Rates of tax**
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 and above	R15 500 + 6% of the amount above R750 000

INCOME TAX: SMALL BUSINESS CORPORATIONS	
Taxable Income (R)	**Rates of tax**
0 – R67 111	0%
R67 112 – R365 000	7% of taxable income above R67 111
R365 001 – R550 000	R20 852 + 21% of taxable income above R365 000
R550 001 and above	R59 702 + 28% of taxable income above R550 000

COMPANY RATES		
	2013/2014 %	**2012/2013 %**
Normal company income tax rate (excluding taxable income from mining operations and long-term insurance)	28	28
Branch income tax	28	28
Tax on ‘employment companies’	28	28
Dividend withholding tax	15	15

CAPITAL GAINS TAX RATES			
Taxpayer	**Inclusion rate %**	**Statutory rate %**	**Effective tax rate %**
Individuals	33.3	0 – 40	0 – 13.3
Retirement funds	N/a	N/a	N/a
Companies (standard)	66.6	28	18.6
Branches of foreign companies	66.6	28	18.6
Trusts (normal)	66.6	40	26.6
Trusts (special)	33.3	0 – 40	0 – 13.3

OTHER RATES		
	2013/14 **%**	**2012/2013** **%**
Value-added tax	14	14
Donations tax	20	20
Estate duty	20	20
Skills development levy	1	1