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GUIDE 2020 | 2021



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▶ RATES OF TAXES

Individual, special trusts, insolvent and deceased estates

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2021

Taxable income (R)	Rate of tax
1 – 205 900	18% of each Rand
205 901 – 321 600	37 062 + 26% of the amt > 205 900
321 601 – 445 100	67 144 + 31% of the amt > 321 600
445 101 – 584 200	105 429 + 36% of the amt > 445 100
584 201 – 744 800	155 505 + 39% of the amt > 584 200
744 801 – 1 577 300	218 139 + 41% of the amt > 744 800
1 577 301 and above	559 464 + 45% of the amt > 1 577 300

YEAR OF ASSESSMENT ENDING 29 FEBRUARY 2020

Taxable income (R)	Rate of tax
1 – 195 850	18% of each Rand
195 851 – 305 850	35 253 + 26% of the amt > 195 850
305 851 – 423 300	63 853 + 31% of the amt > 305 850
423 301 – 555 600	100 263 + 36% of the amt > 423 300
555 601 – 708 310	147 891 + 39% of the amt > 555 600
708 311 – 1 500 000	207 448 + 41% of the amt > 708 310
1 500 001 and above	532 041 + 45% of the amt > 1 500 000

Retirement fund lump sum withdrawal benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2021

Taxable income (R)	Rate of tax
1 – 25 000	0% of each Rand
25 001 – 660 000	18% of the amt > 25 000
660 001 – 990 000	114 300 + 27% of the amt > 660 000
990 001 and above	203 400 + 36% of the amt > 990 000

Retirement fund lump sum benefits or severance benefits

YEAR OF ASSESSMENT ENDING 28 FEBRUARY 2021

Taxable income (R)	Rate of tax
1 – 500 000	0% of each Rand
500 001 – 700 000	18% of the amt > 500 000
700 001 – 1 050 000	36 000 + 27% of the amt > 700 000
1 050 001 and above	130 500 + 36% of the amt > 1 050 000

Trusts (other than special trusts)

YEARS OF ASSESSMENT ENDING ON 28 FEBRUARY 2021

	2021	2020
Trusts	45.0%	45.0%
Effective Capital Gains Tax Rate	36.0%	36.0%

► USEFUL INFORMATION AT A GLANCE

Rebates and thresholds	2021	2020
Primary rebate for individuals	R14 958	R14 220
Secondary rebate (65 years of age or older) <i>in addition to primary rebate</i>	R8 199	R7 794
Tertiary rebate (75 years of age or older) <i>in addition to primary and secondary rebate</i>	R2 736	R2 601
Tax threshold for individuals under 65 years of age	R83 100	R79 000
Tax threshold for individuals 65 years of age to below 75 years of age	R128 650	R122 300
Tax threshold for individuals 75 years of age or older	R143 850	R136 750
Interest exemption	2021	2020
Interest exemption for individuals under 65 years of age	R23 800	R23 800
Interest exemption for individuals 65 years of age or older	R34 500	R34 500
Donations tax and estate duty	2021	2020
Donations tax rate – first R30 m	20%	20%
Donations tax rate – amount > R30 m	25%	25%
Donations tax – annual exemption <i>individuals only</i>	R100 000	R100 000
Estate duty rate – estate < R30 m	20%	20%
Estate duty rate – estate > R30 m	25%	25%
Estate duty abatement ^(N1)	R3.5 m	R3.5 m

(N1) *If, at the time of death, the deceased was the spouse of a previously deceased person, the estate duty abatement is R7m less the abatement utilised in the estate of the previously deceased person.*

Capital Gains Tax Individuals	2021	2020
Annual capital gain/loss exclusion	R40 000	R40 000
Primary residence exclusion	R2 m	R2 m
Exclusion on death	R300 000	R300 000
Once-off relief for disposal of qualifying small business assets ^(N1)	R1.8 m	R1.8 m
Effective CGT rate – individuals and special trusts	0 – 18.00%	0 – 18.00%

Travel allowance	2021	2020
Travel allowance subject to PAYE ^(N2)	80%	80%
Maximum vehicle value ^(N3)	R665 000	R595 000

(N1) When a small business with a market value not exceeding R10 million is disposed of.

(N2) If the employer is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the travel allowance.

(N3) In terms of both the deemed and actual cost reduction methods, the value of the vehicle is capped at this amount. In respect of the actual cost reduction method, the capping applies in respect of wear and tear or lease payments and finance charges. To claim against a travel allowance received, a log book needs to be maintained.

Travel allowance – Cost Scales

YEAR ENDING 28 FEBRUARY 2021

Value of the vehicle (incl VAT) (R)	Fixed cost (R)	Fuel cost (c)	Maintenance cost (c)
0 – 95 000	31 332	105.8	37.4
95 001 – 190 000	55 894	118.1	46.8
190 001 – 285 000	80 539	128.3	51.6
285 001 – 380 000	102 211	138.0	56.4
380 001 – 475 000	123 955	147.7	66.2
475 001 – 570 000	146 753	169.4	77.8
570 001 – 665 000	169 552	175.1	96.6
> 665 000	169 552	175.1	96.6

Reimbursed travel

If an employee is reimbursed for business kilometres travelled at a rate not exceeding R3,98 per kilometre, no tax will be payable provided:

- the reimbursement is based on actual business kilometres travelled; and
- no other compensation in the form of a further travel allowance or reimbursement is paid by the employer to the employee.

The reimbursement exceeding a rate of R3,98 per kilometre must be included as remuneration to calculate the amount of employees' tax to be withheld.

► COMPANY CAR

Taxable value per month	2021	2020
First company car:		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%
Second and subsequent company cars (not used primarily for business)		
• If subject to maintenance plan	3.25%	3.25%
• If no maintenance plan	3.50%	3.50%

NOTES:

1. The above monthly rates apply to the determined value of the vehicle. From 1 March 2011, VAT is included in calculating the determined value.
2. From 1 March 2011, reductions to the fringe benefit value for private travel and / or costs borne by the employee for insurance, maintenance or fuel for private travel are only made on assessment. In order to claim a reduction, a logbook needs to be maintained.
3. 80% of the fringe benefit value, not reduced for private use or costs above, is subject to PAYE. Where the employer is satisfied that at least 80% of the use of the vehicle will be for business purposes, then PAYE may be based on 20% of the fringe benefit value.
4. Where the employer holds the vehicle under an operating lease, as defined in the Income Tax Act, the fringe benefit value is not calculated on the percentage method per the table above, but is the sum of the actual lease costs and the cost of fuel.

► OFFICIAL RATE OF INTEREST

With effect from 1 March 2011 the official rate of interest is:

- Loan in Rands: 100 basis points above the repurchase (repo) rate.
- Loan in foreign currency: 100 basis points above the equivalent of the repo rate for that currency.

If the repo rate changes, the official rate changes from the commencement of the following calendar month.

The current official rate is set at 7.25% with effect from 1 February 2020.

► TRANSFER PRICING

South African companies forming part of a multinational group need to comply with certain transfer pricing reporting requirements. If the consolidated group revenue, of which a South African resident is a part, exceeds R10 billion or EUR750 million, the SA resident will have to prepare a Country-by-Country Report, a Master File and a Local File, or send specific notification letters to SARS. These regulations apply with effect from the financial years of groups beginning on/after 1 January 2016. Regardless of these thresholds, South African residents who have entered into potentially affected transactions (PAFs, transactions with connected foreign residents) that in aggregate exceed or are reasonably expected to exceed R100 million during a year, are required to submit a Local File to SARS and possibly a Master File.

Each PAF which exceeds R5 million, should be supported by an extensive transfer pricing analysis. If the South African resident's PAFs do not exceed the R100 million threshold or enters into a PAF below the R5 million threshold, SARS may still request proof that the company is transacting at arm's length. These regulations apply with effect from years of assessment commencing on or after 1 October 2016.

Retirement funds

The deductible amount for current contributions to pension, provident and retirement annuity funds in a year of assessment is limited to 27.5% of the greater of the person's remuneration for PAYE purposes or taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit). The deduction is further limited to the lesser of R350 000 or 27.5% of taxable income prior to the inclusion of a taxable capital gain. Any contributions exceeding the limitations are carried forward to the immediately following year of assessment and are deemed to be contributed in that following year. The amounts carried forward are reduced by contributions set off against retirement fund lump sums and retirement annuities.

► **TRANSFER DUTY**

With effect from 1 March 2020 the rates are as follows (acquisition is not subject to VAT):

Property value (R)	Rate of tax
1 – 1 000 000	0%
1 000 001 – 1 375 000	3% of the value in excess of R1 000 000
1 375 001 – 1 925 000	R11 250 plus 6% of the value in excess of R1 375 000
1 925 001 – 2 475 000	R44 250 plus 8% of the value in excess of R1 925 000
2 475 001 – 11 000 000	R88 250 plus 11% of the value in excess of R2 475 000
11 000 001 and above	R1 026 000 plus 13% of the value in excess of R11 000 000

► MEDICAL EXPENSES

2020/2021 year of assessment

Medical aid contributions or qualifying medical expenses are not claimable as deductions. A credit-only (tax rebate) system applies.

If the taxpayer is younger than 65 and is not disabled and has no disabled dependants:

In respect of medical aid contributions, the amount of the credit is limited to:

- R319 if the contributions are in respect of the taxpayer only;
- R638 in respect of the taxpayer and one dependant;
- R215 in the case of each additional dependant.

In determining the tax payable, individuals younger than 65 are allowed to deduct 25% of an amount equal to the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump-sums and severance benefits).

If the taxpayer is younger than 65 and is disabled or has a disabled dependant or, alternatively, is 65 and older:

An additional credit is allowed and is calculated as 33.3% of the sum of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year.

Donations to certain Public Benefit Organisations (PBOs)

The deduction is limited to 10% of taxable income calculated excluding retirement fund lump sums and severance benefits. The deduction claimed must be supported by a Section 18A certificate issued by the PBO.

Normal tax on taxable income	2021	2020
Companies (other than entities below)	28.0%	28.0%
Companies (other than entities below) Effective capital gains tax rate	22.4%	22.4%
Turnover based presumptive tax system (elective) for micro businesses (turnover not exceeding R1m)	0% – 3.0%	0% – 3.0%
Non-resident companies with a branch in the Republic on SA source income	28.0%	28.0%
Personal service providers	28.0%	28.0%
Income Tax on Small Business Corporations for financial years ending between 1 April 2020 to 31 March 2021 ^(N1) :		
R1 – R83 100		0.0%
R83 101 – R365 000		7.0%
	of the amount above R83 100	
R365 001 – R550 000		R19 733 + 21.0%
	of the amount above R365 000	
R550 001 and above		R58 583 + 28.0%
	of the amount above R550 000	
Public benefit organisations and recreational clubs (trading income only)	28.0%	28.0%

(N1) Primary requirements to qualify as a small business corporation: all the shares are held by individuals, none of whom hold shares in any other company (other than listed shares, unit trusts and shares in certain tax exempt entities); the gross income of the corporation may not exceed R20m for the year of assessment; not more than 20% of the gross income of the company may comprise investment income and income from rendering a personal service and the company is not an 'employment company' or a 'personal service provider'.

► WITHHOLDING TAXES

A withholding tax is levied in the Republic on the following amounts (subject to double tax treaty relief):

Dividends tax

Dividends tax is a tax on the beneficial owner of a dividend at the standard rate of 20%. The taxation of the dividend may be subject to numerous exemptions, including dividends paid to South African resident companies and Public Benefit Organisations as beneficial owners and where the dividend is taxed in the hands of the recipient. In the case of dividends in kind (other than in cash) the tax is borne by the company that declares and pays the dividend. REITs dividends remain fully taxable for South African residents and non-residents are only subject to dividends tax.

Foreign dividends

Foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 20%. No deductions are allowed for expenditure to produce foreign dividends.

Interest

A final withholding tax on interest paid to non-residents is levied at 15%. Numerous exemptions apply, including interest arising from banks, government debt and listed debt.

Royalties and similar payments to non-residents

A final withholding tax at the rate of 15% of the gross royalties payable in respect of royalties paid to non-residents for the use of patents, designs etc. in the Republic.

Disposal of immovable property

A withholding tax in advance of a non-resident's capital gains tax liability must be withheld by the purchaser in respect of the disposal by a non-resident of immovable property with a value in excess of R2m.

The rates are: 7.5% of the purchase price if the seller is a natural person, 10% if the seller is a company and 15% if the seller is a non-resident trust. A lower withholding rate than those set out above may be granted on application.

Foreign entertainers and sportspersons

A final withholding tax of 15% of the gross revenue is payable.

► INTEREST RATES PAYABLE / RECEIVABLE

	1 Nov 2019	1 Mar 2019
Late or underpayment of tax	10% p.a.	10.25% p.a.
Refund of overpayment of provisional tax	6% p.a.	6.25% p.a.
Refund of tax on successful appeal or where the appeal was conceded by SARS	10% p.a.	10.25% p.a.
Refund of VAT after prescribed period	10% p.a.	10.25% p.a.
Late payment of VAT	10% p.a.	10.25% p.a.
Customs and Excise	10% p.a.	10.25% p.a.

► VALUE-ADDED TAX (VAT)

VAT is levied on taxable supplies by registered VAT vendors at the standard rate of 15%. The compulsory VAT registration threshold is a turnover of R1 million per annum and for a voluntary registration, the threshold is a turnover of R50 000 per annum. A number of supplies are zero rated, for example exports from the Republic and other supplies are classified as exempt, for example financial services and residential accommodation.

Non-resident suppliers of 'electronic services' as prescribed by the Minister by regulation, will be required to register for VAT at the end of any month where the total value of the taxable supplies exceeded R1 million in the previous 12-month period.

► **SECURITIES TRANSFER TAX (STT)**

STT is levied at a rate of 0.25% on the higher of the consideration paid and the market value in respect of the transfer or redemption of listed or unlisted securities, including that of members' interests in close corporations.

► **SKILLS DEVELOPMENT LEVY (SDL)**

Employers with a payroll of R500 000 or more per annum must account for SDL. SDL is calculated at 1% of the leviable amount of the monthly payroll including directors' fees.

► **UNEMPLOYMENT INSURANCE FUND (UIF)**

Unemployment insurance contributions are payable monthly by employers on the basis of a contribution of 1% by the employer and 1% by the employees, based on employees' remuneration below a certain amount. The employer and employee contributions are both calculated at a rate of 1% of the employee's gross remuneration up to a prescribed remuneration threshold (before the deduction of pension fund, retirement annuity fund and qualifying medical aid contributions), where applicable. The maximum remuneration on which UIF contributions are calculated is R14 872 per month or R178 464 per annum. Note that the remuneration threshold is subject to change from time to time.

Foreign nationals employed on a temporary basis in South Africa are also liable to contribute towards UIF.



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