

Levy Skills Development Levy (SDL)  
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Customs Duties Income Tax (IT)  
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Gains Tax (CGT) Environmental Levy (ST  
e Tax (IT) Value Added Tax (VAT) Carbon Emissions Tax  
Unemployment Insurance Contributions  
Levy (SDL) Estate Duty Value A  
(PAYE) Income

# **BUDGET 2010/2011** **Tax Highlights**



# Budget Highlights

- *Tax relief to all individuals*
- *Voluntary disclosure programme*

## Relief for Individuals

### Personal Income Tax

Budget 2010 provides significant tax relief to individuals amounting to R6.5bn, which partially compensates for the effects of inflation (bracket creep).

This means that individuals younger than 65 years of age earning a total amount of–

- R80 000 will pay tax at an average rate of 5.2% on earnings and save R504;
- R250 000 will pay tax at an average rate of 17.6% on earnings and save R1 614;
- R750 000 will pay tax at an average rate of 30.6% on earnings and save R3 534.

The tax threshold for individuals younger than 65 will be R57 000 and for individuals 65 or older R88 528.

### Increased exemption for interest and dividend income

- The annual exemption on interest earned for individuals younger than 65 years is raised from R21 000 to R22 300.
- The exemption for individuals 65 years and older increases from R30 000 to R32 000.
- The threshold for the tax-free portion of interest and dividends from foreign investment increases from R3 500 to R3 700.

### Medical Expenses

From 1 March 2010 the tax deductible portion of monthly contributions to medical schemes is increased for each of the first two beneficiaries from R625 to R670 and for each additional beneficiary from R380 to R410.

### Retrenchment Packages

The R30 000 exemption for termination of services has not been adjusted in many years. It is

proposed that this exemption be merged into the retirement fund lump sum benefit system and that the qualifying lump sums be taxed by applying the tax table for retirement fund lump sum benefits. The aggregation principle will apply.

## Other Tax Proposals Affecting Individuals

### Standard income tax on individuals (SITE)

SITE was introduced in the late 1980s to limit the number of tax returns filed annually. Administrative modernisation and the fact that the tax threshold for taxpayers younger than 65 years is approaching R60 000 have eliminated the need for this system.

SITE is to be abolished from 1 March 2011.

Administrative relief measures will be considered for low-income taxpayers with multiple sources of income.

### Limiting salary structuring

- The company car fringe benefit value is to be increased
- Deferred compensation and employer-provided group life insurance will be taxed as fringe benefits

## Voluntary Disclosure Programme

In order for taxpayers to disclose their defaults (non-compliance) and regularise their tax affairs a voluntary disclosure programme will be implemented.

- The programme is to be effective during a window period from 1 November 2010 until 31 October 2011
- The full amount of tax remains due
- Relief with regard to interest and penalties will apply
- Relief is to be granted if–
  - the disclosure is complete
  - SARS was not aware of the default
  - a penalty or additional tax would have been imposed had SARS discovered the default in the normal course of business

## Effect on Businesses

### No change is proposed to corporate tax rates

### Sophisticated tax avoidance schemes

It is proposed that legislative amendments be introduced to address a number of aggressive tax schemes, for example–

- interest cost allocation for financial institutions
- offshore protected cell companies
- schemes channelling deductible amounts to residents in the form of tax free foreign dividends
- restricting the interest exemption for non-residents investing in financial instruments *other than* South African bonds, unit trusts or publicly available interest bearing instruments.

### Headquarter companies

Relief from exchange control and taxation will be considered for various types of headquarter companies located in South Africa.

## Adjustments to Excise Duties

### Excise duties are increased

- Malt beer - increased by 6 cents to 85 cents per 340ml can
- Unfortified and fortified wine - increased to R2.14 per litre and R4.03 per litre, respectively
- Spirits - increased to R27.27 per 750ml
- Cigarettes - increased by R1.24 to R8.94 per packet of 20

### Fuel levies increased

On 7 April 2010–

- the general fuel levy on petrol and diesel increases by 10 cents per litre as well as an additional 7.5 cent per litre for the funding of the new petroleum pipeline between Durban and Gauteng
- the Road Accident Fund levy on petrol and diesel increases by 8 cents per litre to 72 cents per litre

### Excise duties focusing on the Environment

A flat rate carbon emissions tax is to be introduced on new passenger vehicles from 1 September 2010.