

Budget 2014/2015 Newsletter

Some of the more important features of the Budget speech are as follows:

CHANGES TO TAX TABLES, THRESHOLDS, REBATES & EXEMPTIONS

The taxation tables for natural persons are depicted on page 5 of the guide included herewith. Notably, the rand value of each bracket has increased marginally, giving some relief in respect of inflationary bracket creep. The lowest rate of taxation (18%) extends to the first R174,550 (2014: R165,600) of taxable income, while the highest rate of taxation (40%) sets in at R673,101 (2014: R638,601).

After the taxation is calculated using the above tables, the annual rebate is set-off to determine the taxation payable for the year. These rebates have changed as detailed in the table below.

Natural persons - Tax rebates:

	2014	2015
Primary - All natural persons	R12 080	R12 726
Secondary - Persons aged 65 and below 75 (added to primary)	R 6 750	R 7 110
Additional Secondary - Persons aged 75 and above (added to primary & secondary)	R2 250	R2 367

Using the taxation tables and the abatements applicable to the various age categories, the limit at which no tax is payable (the tax threshold) is calculated as follows:

Natural persons - Tax thresholds:

	2014	2015
Below 65 years of age	R67 111	R70 700
Aged 65 and below 75	R104 611	R110 200
Aged 75 and over	R117 111	R123 350

Natural persons - Interest exemptions:

	2014	2015
Below 65 years of age	R23 800	R23 800
Aged 65 and older	R34 500	R34 500

CAPITAL GAINS TAX RATES

The inclusion rates for Capital Gains Tax remained unchanged from 2014

	2014	2015
Individuals/special trusts	33.3%	33.3%
Companies	66.6%	66.6%
Trusts	66.6%	66.6%

This means that individuals paying tax at the highest marginal tax rates will incur an effective capital gains tax rate of 13.3%. The effective rate for companies will be 18.6% and trusts 26.7%.

SMALL BUSINESS CORPORATIONS

The tax free threshold for small business corporations has been increased to R70 700 (2014: R67 111). Taxable income between R70 701 and R365 000 will be taxed at 7% (2014: R67 111 to R365 000), while taxable income between R365 000 and R550 000 continues to be taxed at 21%. For taxable income above R550 000 (2014:R550 000) the normal corporate tax rate of 28% will be applied.

CHANGES TO DEDUCTIONS AND ALLOWANCES

Travel allowances:

With effect from 1 March 2014, the new table as detailed on page 17 in the attached booklet will apply.

Reimbursive travel:

Where the distance travelled for business purposes does not exceed 8 000 kilometers per annum, no tax is payable on a reimbursement to an employee up to the rate of R3,30 (2014:R3,24) per kilometer, regardless of the value of the vehicle.

Medical Expenses

The medical aid rebate system with minor adjustments continues for 2015.

The rebate against tax payable is calculated at R257 (2014:R242) per month for the taxpayer and the first dependent and R172 (2014:R162) per month for each dependent thereafter.

The balance of qualifying medical expenditure, as exceeds 7.5% of taxable income (before this deduction and RAF deductions) or where the taxpayer is 65 years and older or where a dependent has a disability, will be used to calculate a further tax credit based upon a formula contained on page 9.

Subsistence allowance

Travel in RSA:

- Meals and incidental costs – R335 per day from 1 March 2014
- Incidental costs only – R103 per day from 1 March 2014

Travel outside RSA:

- The table per country which became effective 1 March 2011 is available on the SARS website.

DIVIDENDS TAXATION

The dividends tax rate remained unchanged at 15%.

WITHHOLDINGS TAX

With effect from 1 January 2015, interest from a South African source, paid to a non-resident will be subject to a final withholding tax of 15%.

Similarly, withholding taxes on Royalties and Services at a rate of 15% will become effective on 1 January 2015 and 1 January 2016 respectively.

EMPLOYMENT TAX INCENTIVE (ETI)

The ETI became effective on 1 January 2014. This incentive allows an Employer, registered with the South African Revenue Service and paying Employees Tax on a monthly basis, to claim an allowance for employees that fall into the following category:

- The employee has a valid South African ID
- The employee is between the ages of 18 and 29
- They are not domestic workers
- They are not related or “connected” to the employer
- The employee earns at least a minimum wage in terms of wage regulating measures. If no measures exist, then the employee must earn at least R2 000 in monthly wages.
- The employee must earn less than R6 000 per month in total remuneration
- The employees were newly employed after 1 October 2013

The incentive should be calculated as follows and claimed on the monthly EMP201 return for a maximum of 24 months per qualifying employee:

Monthly Remuneration	ETI per month during the 1 st 12 months of employment	ETI per month during the 2 nd 12 months of employment
R0 – R2 000	50% of monthly remuneration	25% of monthly remuneration
R2 000 – R4 000	R1 000	R500
R4 001 - <R6 000	Formula: R1 000 – (0.5 x (monthly remuneration – R4 000))	Formula: R500 – (0.25 x (monthly remuneration – R4 000))