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INTEGRITY AND PROFESSIONALISM

Budget 2016/2017 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. The marginal personal income tax rates have been increased for certain income brackets. The lowest rate of taxation (18%) extends to the first R188,000 (2016: R181,900) of taxable income, while the highest rate of taxation (41%) sets in at R701,301 (2016:41% at R701,301).

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:

| | 2016 | 2017 |
|--|---------|---------|
| Primary - All natural persons | R13 257 | R13 500 |
| Secondary - Persons aged 65 and below 75 (added to primary) | R 7 407 | R 7 407 |
| Additional Secondary - Persons aged 75 and above (added to primary & secondary) | R2 466 | R2 466 |

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:

| | 2016 | 2017 |
|-----------------------|----------|----------|
| Below 65 years of age | R73 650 | R75 000 |
| Aged 65 and below 75 | R114 800 | R116 150 |
| Aged 75 and over | R128 500 | R129 850 |

Natural persons - Interest exemptions:

| | 2016 | 2017 |
|-----------------------|---------|---------|
| 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 have been changed with effect of 1 March 2016

| | 2016 | 2017 |
|----------------------------|-------|------|
| Individuals/special trusts | 33.3% | 40% |
| Companies | 66.6% | 80% |
| Trusts | 66.6% | 80% |

This means that individuals paying tax at the highest marginal tax rates will incur an effective capital gains tax rate of 16.4% (2016:13.66%). The effective rate for companies will be 22.4% (2016: 18.65%) and trusts 32.8% (2016:27.31%).

TRUSTS

The trust income tax rate remained unchanged at 41%.

CORPORATE TAX RATE

No change was proposed to corporate tax rates. The normal income tax rate remained unchanged at 28% and the dividends tax rate at 15%.

SMALL BUSINESS CORPORATIONS

The tax free threshold for small business corporations has been increased to R75,000 (2016: R73,650). Taxable income between R75,000 and R365,000 will be taxed at 7% (2016: R73,650 to R365,000), while taxable income between R365,000 and R550,000 continues to be taxed at 21%. For taxable income above R550,000 (2016:R550,000) the normal corporate tax rate of 28% will be applied.

CHANGES TO DEDUCTIONS AND ALLOWANCES

Travel allowances:

With effect from 1 March 2016, the new table as detailed on page 15 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 R3,29 (2016:R3,18) per kilometer, regardless of the value of the vehicle.

Medical Expenses

The medical aid rebate system continues for 2017.

The rebate against tax payable is calculated at R286 (2016:R270) per month for the taxpayer and the first dependent and R192 (2016:R181) 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 – R372 per day from 1 March 2016
- Incidental costs only – R115 per day from 1 March 2016

Travel outside RSA:

- The table per country is available on the SARS website under Legal & Policy/Secondary Legislation/Income Tax Notices/2016.

CONTRIBUTIONS TO RETIREMENT FUNDS

Several amendments to the Income Tax Act have been made with respect to retirement funds. These changes have been promulgated over the last two years and importantly, came into operation on 1 March 2016.

These amendments seek to equalise the taxation treatment of contributions to retirement annuities, pension funds and provident funds. In future, members contribution deductions will be limited to a maximum of 27,5% of remuneration or taxable income provided the total deduction does not exceed R350 000.

Contributions by employers will be included as fringe benefits in the employers' hands and subject to the same deduction limit as described in the previous paragraph.

In a last minute change, National Treasury succumbed to pressure from labour to amend the implementation of the Act in a manner that meant that provident fund contributions would not, at this stage, be subject to annuitisation.

National Treasury seems set on achieving this change in 2018.

TRANSFER DUTY

The transfer duty rate has been increased from 11% to 13% in respect of property sales greater than R10 000 000.