



TAX GUIDE 2022/2023



bakertilly

Our details:

Cape Town office – Baker Tilly Greenwoods

Email: mail@bakertillygreenwoods.co.za

Website: bakertillygreenwoods.co.za

Tel: +27 (0)21 410 8500

Durban office – Baker Tilly Morrison Murray

Email: mail@bakertillymm.co.za

Website: bakertillymm.co.za

Tel: +27 (0)31 267 5300

Johannesburg office – Baker Tilly JHB

Email: info@bakertillyjhb.co.za

Website: bakertillyjhb.co.za

Tel: +27 (0)11 682 2650

INDEX

Budget Highlights	2	— Residential accommodation	8
Capital Gains Tax (CGT)	27	— Low-cost housing	9
— Persons subject to CGT	27	— Interest-free or low-interest loans	9
— Exclusions	27	— Bursaries	9
— Calculation and inclusion rates	27	— Medical fund contributions	9
— Withholding tax – prepayment CGT	28	Home office cost	11
Capital Incentive Allowances	32	— Employees	11
Carbon tax	43	— Independent contractors	11
Companies Normal Taxation	19	Interest Rates	63
Comparative Tax Rates	3	IRP 5 Codes	52
Connected person definition for income tax	30	Leamership Allowances	49
— Diagram illustrating the rule for determining persons who are related within the third degree of consanguinity	31	Lump Sum Benefits	12
Crypto Assets	43	— Retirement fund lump sum withdrawal benefits	12
Deductions	10	— Retirement fund lump sum benefits or severance benefits	12
— Contributions to pension, provident and retirement annuity funds	10	Natural Person Tax Rates	4
— Medical and disability expenses	10	Notes	64
Deductions: Sundry	46	Pay As You Earn (PAYE)	14
— Restraint of trade	46	— General provisions	14
— Leasehold improvements	46	— The employee is defined as a person who:	15
— Pre-trade expenditure	46	— Common law dominant impression test grid	16
— Research and Development	46	— Personal service providers process flow	18
Dispute Resolution Process	57	Penalties: Administrative Non-compliance	54
Dividends Tax	25	— Fixed amount penalties	54
Donations Tax	42	— Percentage based penalties	55
— Principal exemptions	42	— Understatement penalties	55
— Rates	42	Provisional Tax	13
Employment Tax Incentive	47	Public Benefit Organisations (PBO)	24
Estate Duty	41	Residence Based Tax	34
— Executor's remuneration	41	— Definition of resident	34
Exchange Control: Non-residents	36	— Controlled Foreign Companies (CFC)	34
— Financial assistance in South Africa	36	— Foreign dividends (including deemed dividends)	35
— Loans from non-resident shareholders to residents	36	— Foreign tax credits	35
— Capital transactions	37	Retention of Records	58
— Dividend payments to non-residents	37	Ring-fencing of Assessed Losses	44
— Director fee payments to non-residents	37	— Checklist (flowchart) for the application of the ring-fencing provisions	45
— Ceasing to be a resident	37	Small Business Corporations	22
— Physical presence test for a person not ordinarily resident	38	Sundry Taxes	47
— Average exchange rates for a year of assessment	39	— Securities Transfer Tax	47
Exchange Control: Residents	40	— Skills Development Levy	47
— Foreign capital investments	40	— Unemployment Insurance Fund Contributions	47
— Single discretionary allowance (in addition to foreign capital allowance)	40	Tax Season Deadlines 2022/2023	50
— Study allowances	40	— Income tax returns	50
— Emigration limits	40	— Provisional tax	50
Farming Tax	26	— Value-added tax	51
— Valuation of livestock and produce	26	— Payroll tax returns	51
— Capital development expenditure	26	Transfer Duty on Immovable Property	49
— Special depreciation allowance	26	Trusts	20
— Rating formula	26	— Tax rates	20
Finance Repayment Factors	62	— Interest-free and low-interest loans to a trust	20
Fringe Benefits	6	— Other anti-avoidance provisions	21
— Travelling allowance for the tax year ending 2023	6	Turnover Tax for Micro Businesses	23
— Right of use of motor vehicle	7	Value-Added Tax (VAT)	29
— Subsistence allowances and advances	8	— Key features	29
		Wear and Tear Allowances	60
		Withholding Tax (other) – Final	28

2022/2023 BUDGET HIGHLIGHTS

- Personal Income tax
 - ◆ Inflationary relief through a 4.5 per cent adjustment in the tax brackets and rebates.
- Employment tax incentive
 - ◆ Expanded through a 50 per cent increase to R1 500 per month
- Fuel & RAF levies
 - ◆ No change to the general fuel levy or the Road Accident Fund (RAF) levy.
- Excise duties
 - ◆ Increases of between 4.5 per cent and 6.5 per cent on alcohol and tobacco.
- Corporate Income Tax
 - ◆ Effective for tax years ending on or after 31 March 2023 the rate is reduced to 27%
- Disclosure of wealth
 - ◆ It is proposed that all provisional taxpayers with assets above R50 million be required to declare specified assets and liabilities at market value in their 2023 returns.
- Assessed losses
 - ◆ The offsetting of the balance of assessed losses brought forward will be limited to 80% of taxable income for years of assessment ending on or after 31 March 2023.
- Carbon Tax
 - ◆ The first phase will be extended by three years for the period 1 January 2023 to 31 December 2025
- Plastic bag levy
 - ◆ Increase to 28c/bag from 1 April 2022.
- Health Promotion Levy
 - ◆ Beverages with more than 4g of sugar per 100ml will have a levy of 2.31c/g from 1 April 2022

COMPARATIVE TAX RATES

CATEGORY	2021	2022	2023
NATURAL PERSONS			
■ Maximum marginal rate	45%	45%	45%
■ Reached at a taxable income	1 577 300	1 656 600	1 731 601
■ Minimum rate	18%	18%	18%
■ Up to taxable income of	205 900	216 200	226 000
■ CGT inclusion rate	40%	40%	40%
COMPANIES & CC's			
■ Normal tax rate	28%	28%	28%*
■ Dividends Tax	20%	20%	20%
■ CGT inclusion rate	80%	80%	80%
TRUSTS (other than special trusts)			
■ Flat rate	45%	45%	45%
■ CGT inclusion rate	80%	80%	80%
DONATION TAX			
■ First R30m cumulative donations	20%	20%	20%
■ Cumulative donations in excess of R30m	25%	25%	25%
ESTATE DUTY			
■ Dutiable estate up to R30m	20%	20%	20%
■ Dutiable estate in excess of R30m	25%	25%	25%
VAT	15%	15%	15%
SMALL BUSINESS CORPORATIONS			
■ Maximum marginal rate	28%	28%	28%*
■ Reached at a taxable income	550 000	550 000	550 000
■ Minimum rate	0%	0%	0%
■ Up to a taxable income of	83 100	87 300	91 250
MICRO BUSINESS - refer to page 23			

*For tax years ending on or after 31 March 2023 the tax rate is reduced to 27%

NATURAL PERSON TAX RATES: 28 FEBRUARY 2023

TAXABLE INCOME	RATES OF TAX
R0 - R226 000	+ 18% of each R1
R226 001 - R353 100	R40 680 + 26% of the amount above R226 000
R353 101 - R488 700	R73 726 + 31% of the amount above R353 100
R488 701 - R641 400	R115 762 + 36% of the amount above R488 700
R641 401 - R817 600	R170 734 + 39% of the amount above R641 400
R817 601 - R1 731 600	R239 452 + 41% of the amount above R817 600
R1 731 601 and above	R614 192 + 45% of the amount above R1 731 600

NATURAL PERSON TAX RATES: 28 FEBRUARY 2022

TAXABLE INCOME	RATES OF TAX
R0 - R216 200	+ 18% of each R1
R216 201 - R337 800	R38 916 + 26% of the amount above R216 200
R337 801 - R467 500	R70 532 + 31% of the amount above R337 800
R467 501 - R613 600	R110 739 + 36% of the amount above R467 500
R613 601 - R782 200	R163 335 + 39% of the amount above R613 600
R782 201 - R1 656 600	R229 089 + 41% of the amount above R782 200
R1 656 601 and above	R587 593 + 45% of the amount above R1 656 600

NATURAL PERSON TAX RATES: 28 FEBRUARY 2021

TAXABLE INCOME	RATES OF TAX
R0 - R205 900	+ 18% of each R1
R205 901 - R321 600	R37 062 + 26% of the amount above R205 900
R321 601 - R445 100	R67 144 + 31% of the amount above R321 600
R445 101 - R584 200	R105 429 + 36% of the amount above R445 100
R584 201 - R744 800	R155 505 + 39% of the amount above R584 200
R744 801 - R1 577 300	R218 139 + 41% of the amount above R744 800
R1 577 301 and above	R559 464 + 45% of the amount above R1 577 300

Rebates: Natural persons	2021	2022	2023
Primary	R14 958	R15 714	R16 425
Secondary (Persons 65 and older)	R8 199	R8 613	R9 000
Tertiary (Persons 75 and older)	R2 736	R2 871	R2 997

Thresholds: Natural persons	2021	2022	2023
Below age 65	R83 100	R87 300	R91 250
Age 65 to below 75	R128 650	R135 150	R141 250
Age 75 and over	R143 850	R151 100	R157 900

Interest Exemption: Natural persons	2021	2022	2023
Below age 65	R23 800	R23 800	R23 800
Age 65 and above	R34 500	R34 500	R34 500

Travelling allowance for the tax year ending 2023

Rates per kilometre, which may be used in determining the allowable deduction for business travel against an allowance or advance where actual costs are not claimed, are determined using the table published on the SARS website www.sars.gov.za, under Legal Counsel/Secondary Legislation/Income Tax Notices/Fixing of rate per kilometre in respect of motor vehicles.

Note:

80% of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.

No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle, and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is covered by a maintenance plan).

The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

The actual distance travelled during a tax year, and the distance travelled for business purposes substantiated by a log book, are used to determine the costs which may be claimed against a travelling allowance.

Alternatively:

Where an allowance or advance is based on the actual distance travelled by the employee for business purposes, no tax is payable on an allowance paid by an employer to an employee, up to the rate published on the SARS website www.sars.gov.za, under Legal Counsel/Secondary Legislation/Income Tax Notices/Fixing of rate per kilometre in respect of motor vehicles, regardless of the value of the vehicle.

However, this alternative is not available if other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) is received from the employer in respect of the vehicle.

Right of use of motor vehicle

When an employee receives the right to use a motor vehicle the following provisions apply:

- Where the vehicle is owned by the employer, the taxable value is 3,5% of the determined value (Vehicles purchased before 1 March 2015: The cash cost including VAT; Vehicles purchased on/after 1 March 2015: Retail market value) per month of each vehicle. Where the vehicle is the subject of a maintenance plan at the time that the employer acquired the vehicle the taxable value is 3,25% of the determined value.
- Where the vehicle is rented by the employer, the monthly taxable value is equal to the actual costs incurred by the employer under the lease (rental and insurance for example) as well as the cost of fuel for the vehicle.
- 80% of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

Subsistence allowances and advances

Where an advance or allowance is received by an employee for meals and other incidental costs, he / she can deduct either:

- The amount actually spent (limited to the advance or allowance), or
- For a day trip where employee is not spending at least one night away from his/her normal place of residence, an amount not exceeding R152.
- The daily amounts set out in the table below where the employee is obliged to spend at least one night away from his/her usual place of residence on business. When the deemed amounts are used, the employee does not have to produce proof of the amounts spent and the allowance is not subject to employees' tax.

Cost	2021	2022	2023
Meals and incidental cost in South Africa	R452	R452	R493
Incidental cost only in South Africa	R139	R139	R152
Daily amount for travel outside South Africa	As per SARS website		

Residential accommodation

The fringe benefit to be included in gross income is calculated in the following different ways, depending on the circumstances:

- Using a formula less the amount paid by the employee
- Using the lower of a formula or the cost borne by the employer less the amount paid by the employee
- When holiday accommodation has been provided, the fringe benefit will be the rental cost of the employer or prevailing market rate per day depending on the circumstances

Low-cost housing

No fringe benefit will arise if an employee acquires a house from their employers at a discount (i.e. at a price below market value) if the following requirements are met:

- The employee does not earn more than R250 000 in salary during the year of assessment in which the acquisition took place
- The market value of the property that is acquired may not exceed R450 000, and
- The employee may not be a connected person in relation to the employer

Interest-free or low interest loans to finance the above stated low cost housing will not be regarded as a fringe benefit if the loan also does not exceed R450 000.

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged on employee loans, is to be included in gross income.

Short-term loans granted at irregular intervals to employees are, however, exempted to the extent that it does not exceed R3 000.

Bursaries

Bursaries are exempt from tax where:

- the bursary is granted to an employee who agrees to reimburse the employer for the bursary if the employee fails to complete his studies for reasons other than death, ill-health or injury, or
- the bursary is granted to a relative of an employee that earns less than R600 000 per annum and to the extent that the bursary does not exceed R20 000 (R30 000 for disabled relative) grade R to matric and R60 000 (R90 000 for disabled relative) for further education. The bursary cannot be as a result of any salary deduction taken by the employee.

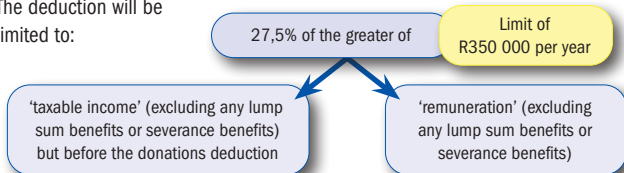
Medical fund contributions

Medical fund contributions paid on behalf of an employee is a fringe benefit. As a result the employee is deemed to have made the payment to the scheme and may get a tax credit.

DEDUCTIONS

Contributions to pension, provident and retirement annuity funds

With effect 1 March 2016 the tax deduction for contributions made to pension funds, provident funds and retirement annuity funds is significantly amended. Please refer to previous year's tax guides for the tax treatment before 1 March 2016. From 1 March 2016 onwards, the tax deduction calculation for the three different funds, pension, provident and retirement annuity funds will be identical. The deduction will be limited to:



The above deduction is however limited to taxable income before this deduction and before any taxable capital gain.

Excess contributions not allowed as deductions are carried forward to the following year of assessment. Contributions made by employers on behalf of employees would be a taxable fringe benefit in the hands of the employees but will also be regarded as a contribution made by the employee, therefore deductible in the hands of the employee subject to the above limitations.

Medical and disability expenses

All taxpayers are entitled to a monthly "tax rebate" (i.e. credit) in respect of any medical scheme contributions made for the benefit of themselves and their dependants as follows:

	2021	2022	2023
Taxpayer	R319	R332	R347
First dependant	R319	R332	R347
Per additional dependant	R215	R224	R234

For additional (e.g. out-of-pocket) medical expenses incurred by individual taxpayers, a tax rebate is available as follows:

- Where the taxpayer is 65 and older or where the taxpayer, taxpayer's spouse or child is a person with a disability: 33.3% of the value of the amount by which the aggregate of the medical scheme fees that exceed $3 \times$ the standard medical scheme credits, and all qualifying medical expenses (other than medical scheme contributions)
- Other taxpayers: 25% of the value of the amount by which the aggregate of the medical scheme fees that exceed $4 \times$ the standard medical scheme credits, and all qualifying medical expenses (other than medical scheme contributions), exceed 7.5% of the taxpayer's taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit including capital gains)

HOME OFFICE COST

Employees:

For an employee to claim home office cost deduction, the home office must be specifically equipped for the purpose of the employee's trade, regularly and exclusively used for such purposes, and:

- if the remuneration earned is mainly in the form of commission or other similar variable payments, then home office cost can be deducted if the duties of such employee are mainly performed otherwise than in an office provided by his or her employer, or
- If the remuneration earned is not mainly in the form of commission or other similar variable payments, then home office cost can be deducted if the duties of such employee are mainly performed in such home office

Independent contractors:

Taxpayer not earning income from employment can deduct home office cost incurred in the production of income from a trade being carried on that is not of a capital nature. However, private and domestic expenditure cannot be deducted.

LUMP SUM BENEFITS

Retirement fund lump sum withdrawal benefits

BENEFIT	RATES OF TAX
R0 - R25 000	0% of benefit
R25 001 - R660 000	18% of benefit above R25 000
R660 001 - R990 000	R114 300 + 27% of benefit above R660 000
R990 001 and above	R203 400 + 36% of benefit above R990 000

- tax determined by applying the tax table to the aggregate of that lump sum plus all other retirement fund lump sum withdrawal benefits accruing from March 2009 and all retirement fund lump sum benefits accruing from October 2007 plus severance benefits accrued from March 2011, less
- tax determined by applying the tax table to the aggregate of benefits mentioned above excluding lump sums withdrawals received for the year

Retirement fund lump sum benefits or severance benefits

BENEFIT	RATES OF TAX
R0 - R500 000	0% of benefit
R500 001 - R700 000	18% of benefit above R500 000
R700 001 - R1 050 000	R36 000 + 27% of benefit above R700 000
R1 050 001 and above	R130 500 + 36% of benefit above R1 050 000

- tax determined by applying the tax table to the aggregate of that lump sum plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009 plus severance benefits accrued from March 2011, less
- tax determined by applying the tax table to the aggregate of benefits mentioned above excluding retirement lump sums and severance benefits received for the year

PROVISIONAL TAX

Provisional tax is payable by all taxpayers except natural persons if:

- That person does not derive any income from the carrying on of any business, and
- Taxable income of that person for the year of assessment will not exceed the tax threshold, or
- The taxable income of that person for the year of assessment which is derived from interest, foreign dividends and rental will not exceed R30 000, or
- any person that derives any remuneration from an employer that is registered for employees tax.

First provisional payment

The first payment is due six months before the end of the tax year. The payment must be based on the basic amount or a lower estimate approved by SARS.

Second provisional payment

The second payment is due on the last day of the tax year. The payment must be based on an estimate of the taxable income for the year. The following two tier model is in force:

- Taxable income less than R1 million – the estimate must be equal to the lesser of the basic amount or 90% of the actual taxable income
- Taxable income greater than R1 million – the estimate must be equal to at least 80% of the actual taxable income

Third Provisional payment

The third provisional payment is due six months after a taxpayer's year-end. In the case of a taxpayer with a February year-end, the "top-up" payment can be made by the end of September of every year.

Basic amount

The basic amount is computed as the taxable income (excluding capital gains and retirement fund lump sum benefits) of the latest preceding year of assessment issued by SARS more than 14 days before submission of the provisional tax return. The taxable income must be increased by 8% per annum if that assessment is more than 18 months old.

General provisions

Any Employee's remuneration is subject to monthly deductions referred to as **PAYE**. Apart from salaries, commission etc. the following income/payments are also subject to **PAYE**:

- 80% of any travel allowance reduced to 20% if the employer is satisfied that the employee travels at least 80% of the time for business
- The portion of any reimbursive travel allowance that exceeds the tax-free limit per kilometer
- Remuneration paid to labour brokers/personal service providers
- Annuities from Annuity Funds
- Payments to Personal Service Providers (PSP's)

See PSP process flow for more detail on entities that will be considered PSP's. A PSP is subject to employees' tax at the rate of 28%* if it is a company and 45% if it is a trust. Expenses to be deducted by a PSP are also limited.

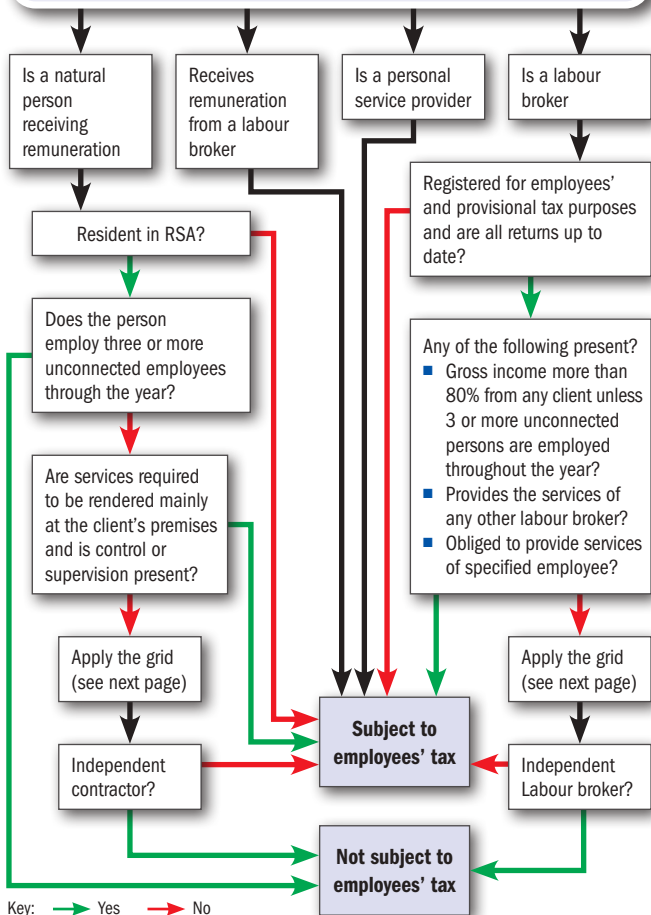
Directors of companies are subject to PAYE according to the same rules applying to other employees.

Part-time, casual and temporary employees are subject to PAYE at a flat rate of 25%.

Variable remuneration, such as overtime pay, bonus, commission, night shift and standby allowance or reimbursement of any expenditure accrue to the employee only on the date that it is paid. The employer is also only deemed to have incurred the variable remuneration on the date of payment.

*For tax years ending on or after 31 March 2023 the tax rate is reduced to 27%

The employee is defined as a person who:

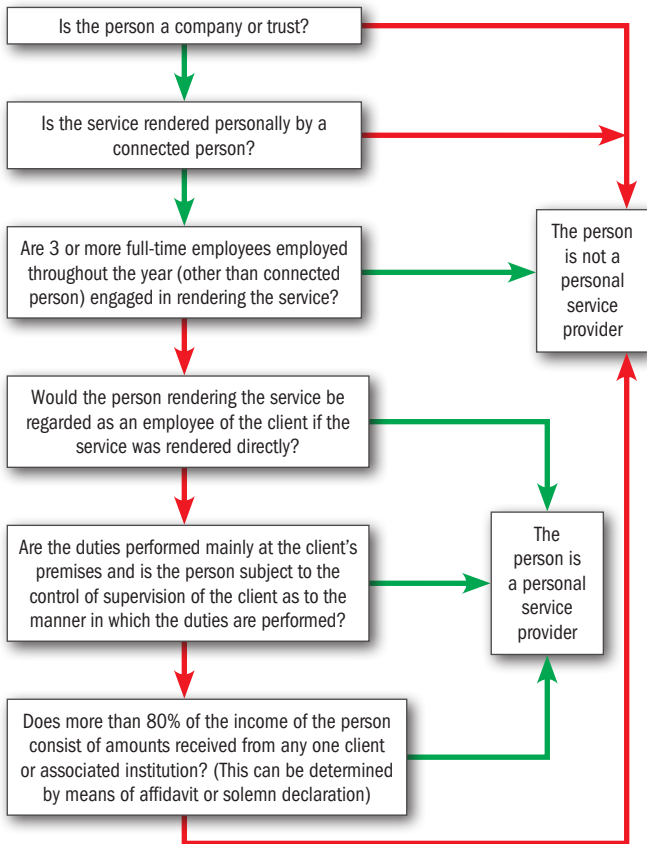


Common law dominant impression test grid

	Indicator	Suggests employee status	Suggests independent contractor status
Near-conclusive	Control of manner of working	Employer instructs (has right to) which tools/equipment, or staff, or raw materials, or routines, patents, technology	Person chooses which tools/equipment, or staff, or raw materials, or routines, patents, technology
	Payment regime	Payment by rate \times time-period, but regardless of output or results	Payment by a rate \times time-period but with reference to results , or payment by output or "results in a time period"
	Person who must render the service	Person obliged to be render service personally, hires & fires only with approval	Person, as employer, can delegate to, hire & fire own employees, or can subcontract
	Nature of obligation to work	Person obliges to be present, even if there is no work to be done	Person only present and performing work if actually required, and chooses to
	Employer (client) base	Person bound to an exclusive relationship with one employer (particularly for independent business test)	Person free to build a multiple concurrent client base (esp. if tries to build client base - advertises etc.)
	Risk/Profit & loss	Employer bears risk (pays despite poor performance/slow markets) (particularly for independent business test)	Person bears risk (bad workmanship, price hikes, time over-runs)
Persuasive	Instructions/Supervision	Employer instructs on location, what work, sequence of work etc. or has the right to do so	Person determines own work, sequence of work etc. Bound by contract terms, not orders as to what work, where, etc.
	Reports	Control through oral/written reports	Person not obliged to make reports
	Training	Employer controls by training the person in the employer's methods	Worker uses/trains in own methods
	Productive time (work hours, work week)	Controlled or set by employer/person works full time or substantially so	At person's discretion

	Indicator	Suggests employee status	Suggests independent contractor status
Relevant	Tools, materials, stationery, etc.	Provides by employer, no contractual requirement that person provides	Contractually/necessarily provided by person
	Office/workshop, admin/secretarial etc.	Provides by employer, no contractual requirement that person provides	Contractually/necessarily provided by person
	Integration/ Usual premises	Employer's usual business premises	Person's own/leased premises
	Integration/ Usual business operations	Person's service critical/integral part of employer's operations	Person's services are incidental to the employer's operations or success
	Integration/ Hierarchy & organogram	Person has a job designation, a position in the employer's hierarchy	Person designated by profession or trade, no position in the hierarchy
	Duration of relationship	Open ended/fixed term & renewable, ends on death of worker	Limited with regard to result, binds business despite worker's death
	Threat of termination/ Breach of contract	Employer may dismiss on notice (LRA equity aside), worker may resign at will (BCEA aside)	Employer in breach if it terminates prematurely. Person in breach if fails to deliver product/service
	Significant investment	Employer finances premises, tools, raw materials, training, etc.	Person finances premises, tools, raw materials, training, etc.
	Employee benefits	Especially if designed to reward loyalty	Person not eligible for benefits
	<i>Bona fide</i> expenses or statutory compliance	No business expenses, travel expenses and/or reimbursed by employer. Registered with trade/professional association	Over-heads built into contract prices. Registered under tax/ labour statutes & with trade professional association
	Viability on termination	Obligated to approach an employment agency of labour broker to obtain new work (particularly for independent business test)	Has other clients, continues trading. Was a labour broker or independent contractor before this contract
	Industry norms, customs	Militate against independent viability. Make it likely person is an employee	Will promote independent viability. Make it likely person is an independent contractor or labour broker

Personal service providers process flow



Key: → Yes → No

COMPANIES NORMAL TAXATION

Resident companies (excluding personal service provider)

For years of assessment ending during the following periods:	Tax rate
1 April 2008 - 30 March 2023	28%
From 31 March 2023	27%

Non-resident companies/Branch profits

For years of assessment ending during the following periods:	Tax rate
1 April 2012 - 30 March 2023	28%
From 31 March 2023	27%

Personal service provider companies

For years of assessment ending during the following periods:	Tax rate
1 April 2012 - 30 March 2023	28%
From 31 March 2023	27%

Combined tax rate of resident company (as a percentage)

	2021	2022	2023*
Taxable income	100.00	100.00	100.00
Less: Normal tax	28.00	28.00	28.00
Available for distribution	72.00	72.00	72.00
Less: Dividend	72.00	72.00	72.00
Less: Dividends tax	14.40	14.40	14.40
Total tax	42.40	42.40	42.40
Combined rate	42.40	42.40	42.40

Note: Dividends Tax is the liability of the shareholder, while the normal tax is a company liability.

*For tax years ending on or after 31 March 2023 the tax rate is reduced to 27%

TRUSTS

Tax rates

Tax rates applicable to trusts are as follows:

TYPE OF TRUST	INCOME TAX RATES	CAPITAL GAINS TAX INCLUSION RATE
Normal Trust	45%	80%
Special Trust	Same as those applicable to natural persons, except that the rebates and interest exemptions do not apply	40%

Note: A special trust is a trust created solely for the benefit of someone who suffers from a disability that prevents such person from earning sufficient income for their maintenance or from managing their own financial affairs. A special trust can also be created by way of a testamentary trust whereby relatives of the testator who are alive on the date of death are the beneficiaries. In order to qualify as a special trust, the youngest of the beneficiaries must, on the last day of the year of assessment of that trust, be under the age of 18 years.

Interest-free and low-interest loans to a trust

With effect 1 March 2017 loans made to a trust by

- a natural person, or
- at the instance of that person, a company in relation to which that person is a connected person, and where that person or company is a connected person in relation to the trust

the difference between the amount of interest incurred by the trust (if any, otherwise nil) and the interest that would have been incurred by that trust at the official rate of interest will be a continuing, annual donation for purposes of donations tax, made by the lender on the last day of the year of assessment of the trust

Loans by a natural person or a company to a company is also subject to donation tax on the same basis if 20% or more of the shares of the company is held directly or indirectly by a trust (or beneficiary of trust or spouse of beneficiary). Preference shares issued by a company are also regarded as loans for this donation tax calculation.

The following will be specifically excluded from the above donation provisions:

- special trusts that are created solely for the benefit of disabled persons
- trusts that fall under public benefit organisations
- vesting trusts (in respect of which the vesting rights and contributions of the beneficiaries are clearly established)
- loans used by the trusts to fund the acquisition of a primary residence
- loans that are subject to transfer pricing provisions
- loans provided to the trust in terms of a sharia-compliant financing arrangement, or
- loans that are subject to dividends tax
- loans to employee share purchase trusts

The lender may utilise the annual donations tax exemption of R100 000 (or remaining portion if applicable) against this deemed donation.

No deduction, loss, allowance or capital loss may be claimed for the reduction, waiver or other disposal of such a loan, advance or credit by the lender.

Other anti-avoidance provisions

Anti-avoidance provisions exist to combat the use of trusts for income splitting and tax avoidance schemes. These provisions will normally be applicable where income accrues to a person other than the donor as a result of a donation, settlement or other disposition made (i.e. interest free loans). These provisions may apply where income accrues to the following persons:

- The donor's spouse
- A minor child of the donor
- The trust to whom the donation, settlement or other disposition has been made
- Non-residents

The result of the anti-avoidance provisions are that the income that accrues to the person's mentioned above are deemed to be the income of the donor.

SMALL BUSINESS CORPORATIONS

Year ending between 1 April 2022 and 30 March 2023

R0 – R91 250	0% of taxable income
R91 251 – R365 000	7% of taxable income above R91 250
R365 001 – R550 000	R19 163 + 21% of taxable income above R365 000
R550 001 and above	R58 013 + 28%* of the amount above R550 000

*For tax years ending on or after 31 March 2023 the tax rate is reduced to 27%

Year ending between 1 April 2021 and 31 March 2022

R0 – R87 300	0% of taxable income
R87 301 – R365 000	7% of taxable income above R87 300
R365 001 – R550 000	R19 439 + 21% of taxable income above R365 000
R550 001 and above	R58 289 + 28% of the amount above R550 000

A small business corporation is a close corporation, private company (other than a personal service provider) or personal liability company of which:

- the entire shareholding or membership is held by natural persons for the entire year of assessment
- the gross income does not exceed R20 million during the year of assessment
- none of the members/shareholders, at any time during the year of assessment, held shares in any other company other than listed companies, collective investment schemes, body corporates, shareblock companies, certain associations of persons, friendly societies, less than 5% interest in cooperatives, venture capital company, shares in private companies that are inactive and have assets of less than R5 000 or have taken steps to liquidate, wind-up or deregister
- not more than 20% of the sum of gross income and capital gains consists of investment income and income from the provision of personal services
- if engaged in the provision of personal services, maintains at least three full-time employees who are not connected to shareholders

TURNOVER TAX FOR MICRO BUSINESSES

Financial years ending on any date between 1 March 2022 and 28 February 2023

TAXABLE TURNOVER	RATES OF TAX
R0 - R335 000	0%
R335 001 - R500 000	1% of the amount above R335 000
R500 001 - R750 000	R1 650 + 2% of the amount above R500 000
R750 001 - R1 000 000	R6 650 + 3% of the amount above R750 000

Financial years ending on any date between 1 March 2021 and 28 February 2022

TAXABLE TURNOVER	RATES OF TAX
R0 - R335 000	0%
R335 001 - R500 000	1% of the amount above R335 000
R500 001 - R750 000	R1 650 + 2% of the amount above R500 000
R750 001 - R1 000 000	R6 650 + 3% of the amount above R750 000

Turnover tax for micro businesses is a simplified turnover-based tax system substituting income tax and Capital Gains Tax. A micro business may voluntarily register for VAT. Turnover tax is an elective tax applicable to sole proprietors, partnerships and companies that meet certain criteria and have a turnover of less than R1 million per year.

A micro business may only voluntarily exit the turnover tax system before the beginning of a year of assessment.

PUBLIC BENEFIT ORGANISATIONS (PBO)

In order to qualify as a PBO an entity needs to have as its main object the carrying out of one or more public benefit activities in a non-profit manner. These activities need to qualify in one or more of the following categories:

- **welfare and humanitarian**
- **health care**
- **land and housing**
- **education and development**
- **conservation, environment and animal welfare**
- religion, belief or philosophy
- cultural
- research and consumer rights
- sport
- providing funds, assets or other resources
- support services to other PBO's
- hosting certain international events

Note: Only the activities in bold qualify for section 18A status.

For more information on how to register a PBO with SARS and the specific requirements refer to the SARS website:

<https://www.sars.gov.za/ClientSegments/Businesses/TEO/Pages/default.aspx>

Donations to approved public benefit organisations are exempt from donations tax and deductible for income tax as follows if section 18A status has been approved:

- Company donations limited to 10% of taxable income
- Individual donations limited to 10% of taxable income excluding any retirement fund lump sum benefits
- Any excess above the 10% cap above may be rolled over to subsequent years

DIVIDENDS TAX

Dividends tax is a tax levied on the shareholder at a rate of 20% on dividends paid. However, where a dividend in specie is paid, dividends tax is a tax levied on the company declaring the dividend. Dividends tax is normally withheld by the company paying the dividend and is payable at the end of the month following the month in which the dividend was paid. The repayment of contributed tax capital by a company would be regarded as a return of capital and not subject to dividends tax.

Dividends tax exemptions

A dividend is exempt from dividends tax if the dividend is not a dividend in specie and the beneficial owner is:

- A SA company
- The Government and various quasi government institutions
- Public Benefit Organisations
- Environmental rehabilitation trusts
- Pension, provident, similar funds and medical schemes
- A shareholder in a registered micro business (only the first R200 000 of dividends paid during a particular year of assessment)
- A non-resident and the dividend is paid by a South African Listed non-resident company

Where the dividend comprises of a dividend in specie, the following exemptions are applicable:

- The same exemptions as above subject to the beneficial owner submitting a declaration and written undertaking
- Where the beneficial owner forms part of the same group of companies

Loans to connected persons

Dividends tax will be calculated as 20% of the difference between the official rate of interest in respect of the debt and the amount of interest payable in respect of the debt. Where the official rate of interest on the debt does not exceed the actual interest payable on the debt, the value of the deemed dividend is deemed to be nil. Dividends tax on a loan to a connected person is regarded as a *dividend in specie* and as such the liability of the company and not the shareholder.

The First schedule of the Income Tax Act regulates farming taxes. The most important sections are:

Valuation of livestock and produce

Only livestock and produce need to be brought into account at year-end and not consumables like seed, fertiliser, fuel etc. Produce is valued at the lowest of average cost of production or market value. Livestock can be valued at standard values or the farmer may elect his own values which may not differ more than 20% of standard values (once a value has chosen, it must be used consistently).

Purchases of livestock cannot create a loss because of using standard values. This gross loss must be carried forward to the next year. See www.sars.gov.za for the standard values.

Capital development expenditure

The following capital development expenditure may be deducted in full: Eradication of noxious plants, alien invasive plants and prevention of soil erosion.

The following capital development expenditure is restricted to taxable income from farming: dipping tanks, dams, irrigation schemes, boreholes and pumping plants, fences, additions/erection of/extensions and improvements to farm buildings, costs of establishing the area for and the planting of trees, shrubs and perennial plants, building of roads and bridges for farming operations, carrying of electric power from main power lines to farm machinery and equipment.

Special depreciation allowance

Machinery, implements, utensils and articles for farming purposes are written off over three years on a 50:30:20 basis.

Rating formula

Because a farmer's income fluctuates from year to year, an individual farmer may elect to be taxed in accordance with a rating formula in terms of special provisions.

Persons subject to CGT

CGT is payable on capital gains that arise by the following persons:

- Residents are subject to CGT on all assets including overseas assets
- Non-residents are subject to CGT on immovable property or any right or interest in a property situated in South Africa and any asset of a permanent establishment through which a trade is carried on in South Africa (SA)

Note: Any right or interest in a property includes a direct or indirect interest of at least 20% held alone or together with any connected person in the equity share capital of a company, where at least 80% of the value of the net assets of the company is, at the time of the disposal, attributable to immovable property in SA.

Exclusions

The following are the main exclusions from CGT:

- Primary residences with capital gains up to R2 million
- Personal use assets
- Retirement benefits
- Long-term assurance
- Small business assets with capital gains up to R1.8 million (applicable when a person is over the age of 55 where the maximum market value of the small business assets does not exceed R10 million)
- Annual exclusion for natural persons: R40 000
- Annual exclusion on death for natural persons: R300 000

Calculation and inclusion rates

A capital gain or loss is calculated separately in respect of each asset disposed. Once determined, gains or losses are combined for that year of assessment and if it is:

- an assessed capital loss, it is carried forward to the following year, or
- a net capital gain, it is multiplied by the inclusion rate and included in taxable income

The inclusion rates are as follows:

PERSON	2021	2022	2023
Natural person and special trust	40%	40%	40%
Company	80%	80%	80%
Trust	80%	80%	80%

Withholding tax – prepayment CGT

The purchaser must withhold CGT on the purchase price where assets are purchased from a non-resident except where the amount payable by the purchaser is less than R2 million. This withholding tax is not a final tax and is merely a prepayment of the expected CGT. The following withholding tax rates are applicable and are based on the proceeds on disposal:

NON-RESIDENT SELLER	2021	2022	2023
Natural person	7.5%	7.5%	7.5%
Company	10%	10%	10%
Trust	15%	15%	15%

WITHHOLDING TAX (OTHER) – FINAL

Royalties

A withholding tax of 15% is payable when royalties from a South African source are paid to non-residents, subject to certain exemptions.

Interest

A withholding tax of 15% is payable when interest from a South African source are paid to non-residents, subject to certain exemptions.

Foreign Entertainers and sportpersons

A withholding tax of 15% on payments to foreign entertainers and sportpersons for activities in South Africa.

VALUE-ADDED TAX (VAT)

The VAT system comprises of three types of supplies:

- Standard-rated supplies – supplies of goods and services subject to the VAT rate in force at the time of supply. With effect 1 April 2018 the VAT rate was increased from 14% to 15%
- Exempt supplies – supplies of certain services not subject to VAT. Vendors making exempt supplies are not entitled to input VAT credits
- Zero-rated supplies – supplies of certain goods or services subject to VAT at zero percent. Vendors making zero-rated supplies are entitled to input VAT credits

Key features

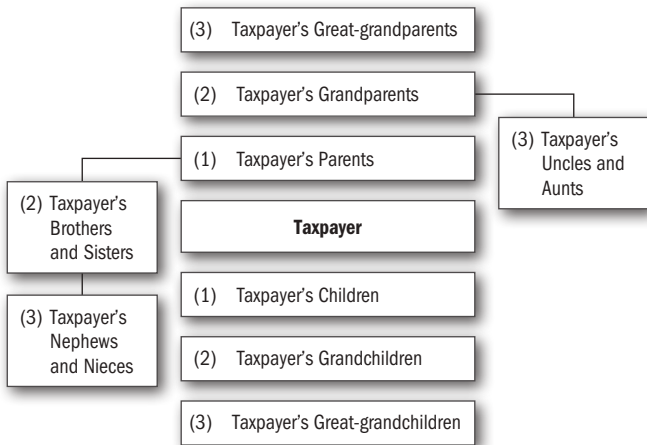
- Enterprises with a turnover of less than R1 000 000 in any period of 12 months are not obliged to register for VAT
- Enterprises with a turnover of less than R50 000 in any period of 12 months are not permitted to register for VAT
- VAT returns are generally submitted on a two monthly basis unless turnover in any period of 12 months exceeds R30 million, in which case returns are submitted monthly
- Farmers may submit VAT returns on a six monthly basis as long as their turnover does not exceed R1.5 million and property letting companies and trusts may, subject to certain requirements, submit annual VAT returns
- Vendors may reclaim the VAT element on expenditure incurred for the purpose of making taxable VAT supplies except on, entertainment, excluding qualifying subsistence, passenger vehicles (including hiring) and club subscriptions
- Input tax credits may not be claimed on expenditure relating to exempt supplies
- Input tax credits may only be claimed upon receipt of a valid tax invoice
- In order to be a valid tax invoice the name, address and VAT registration number of the recipient and supplier must appear on tax invoices where the VAT inclusive total exceeds R5 000
- A deposit is not subject to output VAT until the supplier applies the deposit as consideration for payment

CONNECTED PERSON DEFINITION FOR INCOME TAX

Type of taxpayer	Connected persons in relation to the taxpayer
Natural person	<ul style="list-style-type: none"> ■ a relative to the third degree – see diagram for guidance on the meaning of relative ■ a trust of which the natural person or the relative is a beneficiary
Trust	<ul style="list-style-type: none"> ■ any beneficiary of the trust ■ any connected person in relation to a beneficiary
Connected person in relation to a trust	<ul style="list-style-type: none"> ■ any other person who is a connected person in relation to the trust
Members of a partnership or foreign partnership	<ul style="list-style-type: none"> ■ any other member ■ any connected person in relation to any member of the partnership or foreign partnership
Company	<ul style="list-style-type: none"> ■ any other company in the same group of companies, where a group of companies consists of a controlling group company that: <ul style="list-style-type: none"> ◆ directly holds more than 50% of the equity shares or voting rights in at least one controlled group company, and ◆ directly or indirectly holds more than 50% of the equity shares in or voting rights in each controlled group company ■ any person (but excluding companies) who individually or jointly with that person's connected persons holds 20% or more of a company's equity shares or voting rights ■ any company who holds 20% or more of a company's equity shares or voting rights (but only if no other holder of shares holds the majority of voting rights in the company)

Type of taxpayer	Connected persons in relation to the taxpayer
	<ul style="list-style-type: none"> any other company, if the company is managed or controlled by a connected person (or his connected person) any other company that would be part of the same group of companies according to the definition of 'group of companies'
Close corporation	<ul style="list-style-type: none"> any member any relative of the member or trust that is a connected person in relation to a member any other close corporation which is a connected person to one of the members, or relative or connected trust

Diagram illustrating the rule for determining persons who are related within the third degree of consanguinity



CAPITAL INCENTIVE ALLOWANCES

ASSET TYPE	CONDITIONS FOR ANNUAL ALLOWANCES	ANNUAL ALLOWANCES
Industrial Buildings	Cost of buildings or improvements, provided building is used wholly or mainly for carrying on a process of manufacture or similar process	Either 2%, 5%, or 10% depending on date cost incurred
Commercial & Residential Buildings in Designated Urban Areas (no deduction allowed if building or part of building is brought into use by the taxpayer on or after 31 March 2023)	Refurbishment of existing building (excluding low-cost residential units)	20%
	Construction of new building and extension to existing buildings (excluding low-cost residential units)	20% in 1st year 8% in each of 10 subsequent years
	Low-cost residential units: New buildings or extension/additions to existing buildings where taxpayer incurs the cost	Year 1: 25% of the cost Year 2 - 6: 13% of the cost Year 7: 10% of the cost
	Low-cost residential units: Improvements to existing buildings where the existing structure is preserved and where taxpayer incurs the cost	Year 1: 25% of the cost Year 2 - 4: 25% of the cost
	Low-cost residential units: New buildings or extension/additions to existing buildings where taxpayer purchased building from developer	Year 1: 55% × 25% of the cost Year 2 - 6: 55% × 13% of the cost Year 7: 55% × 10% of the cost
	Low-cost residential units: Improvements to existing buildings where the existing structure is preserved and where taxpayer purchased building from developer	Year 1: 30% × 25% of the cost Year 2 - 4: 30% × 25% of the cost
Hotel Buildings	Cost of portion of building or improvements used	5%
	Improvements that do not extend the exterior framework of the building	20%

ASSET TYPE	CONDITIONS FOR ANNUAL ALLOWANCES	ANNUAL ALLOWANCES
Commercial Buildings	Cost of erecting any new and unused building as well as new and unused improvements wholly or mainly used for the purpose of producing income in the course of trade	5%
	Taxpayer acquires part of a building that is new and unused wholly or mainly to be used for producing income in the course of trade	$55\% \times 5\%$ of the cost
	Taxpayer acquires part of a building that has new and unused improvements to be wholly or mainly used for producing income	$30\% \times 5\%$ of the improvement
Aircraft & Ships	Must be used for purposes of trade	20%
Plant & Machinery	New or unused manufacturing assets	40% in 1st year 20% in each of the 3 subsequent years
Plant & machinery	New and unused plant or machinery used by the taxpayer directly in a process of manufacture by a Small Business Corporation	100% of cost
Renewable Energy - Machinery - Supporting Infrastructure	Small scale embedded solar photovoltaic renewable energy with generation capacity not exceeding 1000 kW	100% of cost
	Road & fences where the electricity production will exceed 5 MW	100% of cost
Residential Units - at least five units must be owned	New & unused units, erected or improved, situated in South Africa, owned & used by the taxpayer for the purposes of a trade he carries on.	Normal Unit 5% Low Cost unit 10%*
	New & unused units acquired, situated in South Africa, used by the taxpayer for the purpose of a trade he carries on	Normal unit $55\% \times 5\%$ Low cost unit $55\% \times 10\%$
	Unit acquired with a new and unused improvement, situated in South Africa, used by the taxpayer for the purpose of a trade he carries on	Normal unit $30\% \times 5\%$ Low cost unit $30\% \times 10\%$

*a building not exceeding cost of R300 000 or an apartment not exceeding a cost of R350 000

Residents are taxed on their worldwide income, subject to certain exclusions.

Definition of resident

Natural Person (see flowchart further in this guide)

- any natural person who is ordinarily resident in South Africa, or
- any natural person who is not ordinarily resident in South Africa but who:
 - ◆ is physically present in South Africa for a period exceeding 91 days in aggregate during the current year of assessment and for a period exceeding 91 days in aggregate during each of the prior five years of assessment; and was physically present in South Africa for a period exceeding 915 days in aggregate during the previous five years of assessments.
 - ◆ Where a person has been outside of South Africa for a continuous period of at least 330 full days after he ceases to be physically present in South Africa, he will be deemed to not have been resident from then.
 - ◆ South African resident employees who render services for any employer outside South Africa for a period which in aggregate exceeds 183 full days commencing on or ending during a period of assessment, and for a continuous period exceeding 60 full days during such 183 day period, will not be liable for income tax on their remuneration for that period. From 1 March 2020 this exemption will be limited to R1.25m per year.

Companies and Trusts

A company and Trust will be considered to be resident for tax purposes if it is incorporated, established, formed or has its place of effective management in South Africa.

Controlled Foreign Companies (CFC)

A Controlled Foreign Company (CFC) means any foreign company where more than 50% of the total participation rights or voting rights are directly or indirectly exercisable by one or more residents. South African residents must impute all

income of a CFC in the same ratio as the participation rights of the resident in such a CFC, subject to a number of exclusions. Net income of the CFC is defined as the CFC's taxable income determined as if the CFC is a South African taxpayer.

Foreign dividends (including deemed dividends)

Foreign Dividends received from a non-resident company are taxable.

Foreign dividends are, however, exempt as follows:

- If received by a resident who holds at least 10% of the equity shares in the foreign company
- The shareholder is a company which is in the same country as the foreign company paying the dividend
- If declared by a company listed on the SA stock exchange
- If paid out of the profits of a foreign company if the profits of the foreign company have been included in the South African shareholder's income in terms of the CFC provisions

Where a foreign dividend is not exempt in terms of the provisions above the following part of a foreign dividend will be exempt from tax:

- Individuals and trusts: Subject to a maximum effective tax rate of 20%
- Companies: Subject to an effective tax rate of 20%

No deduction will be granted for any expenditure incurred in the production of income in the form of foreign dividends.

Foreign tax credits

Residents are allowed to deduct all foreign taxes paid in respect of foreign source income from the tax payable in South Africa on such foreign income. Any excess credits may be carried forward.

Where foreign tax is withheld on South African source income, the taxpayer can claim a deduction against income.

EXCHANGE CONTROL: NON-RESIDENTS

Non-residents may invest in the Republic, provided that suitable documentary evidence is received in order to ensure that such transactions are concluded at arm's length, at fair market-related prices, and are financed in an approved manner.

Financial assistance in South Africa

- Emigrants: local financial assistance made available to emigrants is subject to the 1:1 ratio.
- Non-residents: authorised dealers may grant or authorise local financial assistance facilities to non-residents in respect of bona fide foreign direct investments into South Africa without restrictions. Where the funds are required for the acquisition of residential property or other financial transactions, the 1:1 ratio will apply.
- Affected persons (i.e. where non-residents directly or indirectly own 75% or more of an entity): there is no restriction on the amount that could be borrowed locally in instances where an affected person wishes to borrow locally to finance a foreign direct investment into South Africa or for domestic working capital requirements. Wholly non-resident owned subsidiaries may borrow locally up to 100% of the total shareholders' investment, in respect of the acquisition of residential property and or other financial transactions. The effect of local participation in non-resident controlled entities is to make the abovementioned norms more liberal the greater the local participation, i.e. the ability to borrow locally increases. This is based on a formula.

Loans from non-resident shareholders to residents

Applications for proposed borrowing abroad by residents must be referred to the Financial Surveillance Department for approval.

Capital transactions

Proceeds from the sale of assets in South Africa, may be remitted abroad. Proceeds on the sale of assets by emigrants will be subject to the blocked account provisions.

Dividend payments to non-residents

Dividends declared by companies are remittable to non-resident shareholders in proportion to percentage shareholdings, subject to certain restrictions if the dividend is declared by an affected person who has local financial assistance. An emigrant shareholder will be entitled to dividends declared out of income earned from normal trading activities after the date of emigration. Non-listed companies have additional requirements to be met in order to transfer such dividends. Dividends declared out of capital gains, or out of income earned from normal trading activities prior to the date of emigration, remain subject to the blocked account provisions.

Director fee payments to non-residents

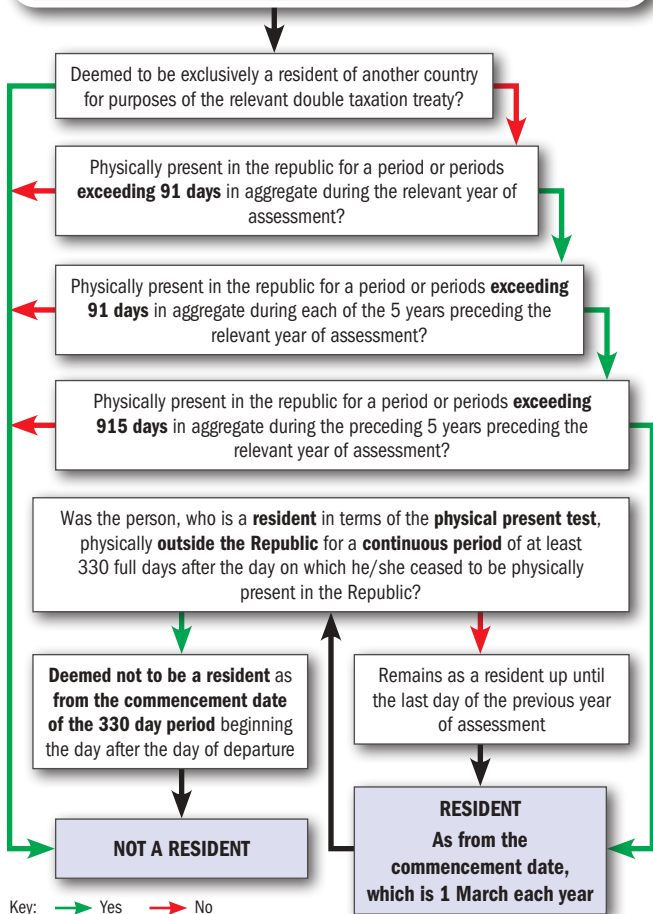
Authorised dealers may transfer director's fees to non-resident directors permanently domiciled outside South Africa, provided the application is accompanied by a copy of the resolution of the board of the remitting company, confirming the amount to be paid to the beneficiary.

Ceasing to be a resident

When a person ceases to be a resident, certain tax consequences are triggered. A trust or natural person that ceases to be a resident must be treated as having disposed of all their assets for market value immediately before they ceased to be a resident.

A company that ceases to be a resident will also be treated as having disposed of all its assets for market value immediately before it ceased to be a resident. In addition the company will be deemed to have paid a dividend on the difference between the market value of all the shares of the company and the contributed tax capital of the company.

Physical presence test for a person not ordinarily resident:



Average exchange rates for a year of assessment

Year of assessment for the 12 months ending:	Australian Dollar	Canadian Dollar	Euro	Hong Kong Dollar	Indian Rupee	Japanese Yen	Swiss Franc	UK Pound	US Dollar
January 2021	11.4928	12.3375	18.9720	2.1305	0.2223	0.1554	17.7242	21.2450	16.5198
February 2021	11.6114	12.3639	19.0940	2.1281	0.2217	0.1557	17.8122	21.3264	16.4979
March 2021	11.7100	12.3601	19.0466	2.1106	0.2203	0.1543	17.7083	21.3416	16.3625
April 2021	11.6623	12.2199	18.8028	2.0655	0.2160	0.1510	17.4169	21.0840	16.0152
May 2021	11.5865	12.1039	18.5792	2.0213	0.2121	0.1476	17.1569	20.8768	15.6750
June 2021	11.4889	11.9997	18.3695	1.9865	0.2090	0.1449	16.9338	20.7152	15.4069
July 2021	11.4060	11.9322	18.2001	1.9621	0.2066	0.1427	16.7571	20.6185	15.2204
August 2021	11.2724	11.8254	17.9524	1.9351	0.2040	0.1404	16.5280	20.4336	15.0169
September 2021	11.1503	11.7272	17.7345	1.9110	0.2015	0.1382	16.3169	20.2892	14.8349
October 2021	11.0882	11.6832	17.5568	1.8932	0.1993	0.1361	16.1545	20.2029	14.7014
November 2021	11.0902	11.7217	17.4985	1.8920	0.1992	0.1351	16.1337	20.2313	14.6984
December 2021	Rates not available as at date of publication								

Foreign capital investments

Resident individuals who are over 18 and taxpayers in good standing are permitted to invest abroad. The current limit is R10 000 000 per person per calendar year. Applications by individuals to invest in fixed property and other investments will also be considered in addition to the foreign capital allowance.

Single discretionary allowance (in addition to foreign capital allowance)

Residents over the age of 18 years may be permitted a single allowance within an overall limit of R1 000 000 per individual per calendar year, without the requirement to obtain a Tax Clearance Certificate, to cover the following discretionary allowances (w.e.f. 1/4/15 to cover use for any legal purpose):

- monetary gifts and loans
- donations to missionaries
- maintenance transfers
- travel allowance (minors entitled to an annual allowance of R200 000)
- study allowance

Study allowances

The direct costs of study may be transferred directly to the institution. Should a spouse accompany a student, a discretionary allowance may be accorded to the spouse. Household and personal effects, including jewellery (but excluding motor vehicles), up to a value of R200 000 per student may be exported.

Emigration limits

Foreign Capital Allowance (reduced by foreign capital investments)

Single Person – R10 000 000

Family Unit – R20 000 000

Household & Personal Effects, Motor Vehicles, Stamps, Coins & Kruger Rands
R2 million can be transferred.

ESTATE DUTY

The general rule is that if the taxpayer is ordinarily resident in the Republic at the time of death, all of his assets (including deemed property), wherever they are situated, will be included in the gross value of his estate for the determination of duty payable thereon. Estate duty is levied at 20% on the first R30 million of the dutiable estate. Estate duty will be levied at 25% on the dutiable estate in excess of R30 million.

Deemed property includes insurance policies on the life of the deceased, claims in terms of the matrimonial property act as well as property that the deceased was competent to dispose of immediately prior to his death.

The most important deductions are:

- Debts due at date of death
- Bequests to various charities
- Bequests to a surviving spouse

The Act allows for a R3.5m estate duty abatement. This abatement could rollover from the deceased to a surviving spouse, so that the surviving spouse can use a R7m abatement on death. The portability of the deduction will apply to the extent that the first dying spouse did not use the whole abatement.

There is relief from Estate Duty in the case of the same property being included in the estates of taxpayers dying within ten years of each other. The deduction is calculated on a sliding scale varying from 100% where the taxpayers die within two years of each other and 20% where the deaths are within eight to ten years of each other.

Executor's remuneration

An executor is entitled to the following remuneration:

- The remuneration fixed by deceased in the will, or
- 3.5% of gross assets
- 6% on income accrued and collected from date of death

Executor's remuneration is subject to VAT where the executor is registered as a vendor.

DONATIONS TAX

Donations Tax is payable by any South African resident. The donations tax provisions do not apply to non-residents even if they donate South African assets. Donations tax is payable on the value of any gratuitous disposal of property (including the disposal of property for inadequate consideration) and the renunciation of rights.

Principal exemptions

- Donations between spouses
- Donations to charitable, ecclesiastical and educational institutions, and certain public bodies in the Republic of South Africa (limited to certain thresholds)
- Donations by natural persons not exceeding R100 000 per year
- The donation of assets situated outside the Republic, subject to certain conditions
- Donations by companies not considered to be public companies up to R10 000 per annum
- Donations where the donee will not benefit until the death of the donor
- Donations made by companies which are recognised as public companies for tax purposes
- Donations cancelled within six months of the effective date
- Property disposed of under and in pursuance of any trust
- Donations between companies forming part of the same group of companies
- Reasonable bona fide contributions to the maintenance of individuals

Rates

Donations tax is payable at the end of the month following the month in which the donation was made at a flat rate of 20% on the first R30 million donations. Donations tax on the donations in excess of R30 million will be 25%. Only donation from 1 March 2018 will count towards the R30m threshold.

CRYPTO ASSETS

Crypto assets are regarded as a financial instruments for Income Tax purposes and not as a currency. As such the profit or loss on crypto asset trading could either be taxed as normal income if the intention of the investor was to speculate or alternatively the profit or loss could be regarded as a capital gain or loss if the intention of the investor was to hold it long-term as a capital investment.

For VAT purposes the exchange of crypto assets into South African Rand are regarded as an exempt supply.

CARBON TAX

Carbon tax became effective from 1 June 2019. The tax is being implemented in a phased manner, taking into account SA's NDC commitments to reduce greenhouse gas emissions. The first phase will be from 1 June 2019 to 31 December 2025, and the second phase from 2026 to 2030. This ensures alignment with our NDC commitments under the Paris Agreement.

The phased introduction of the carbon tax, through a relatively modest initial effective tax rate that will increase over time, provides a strong price signal to both producers and consumers to change their behaviour over the medium to long term and promote a systematic transition to a low-carbon economy by opening up new business opportunities and stimulating innovative business models.

The implementation of the carbon tax will be complemented by a package of tax incentives and revenue recycling measures to minimise the impact in the first phase of the policy (up to the year 2025).

RING-FENCING OF ASSESSED LOSSES

Assessed losses incurred by natural persons from trades could be ring-fenced, and might not be available for set-off against other income.

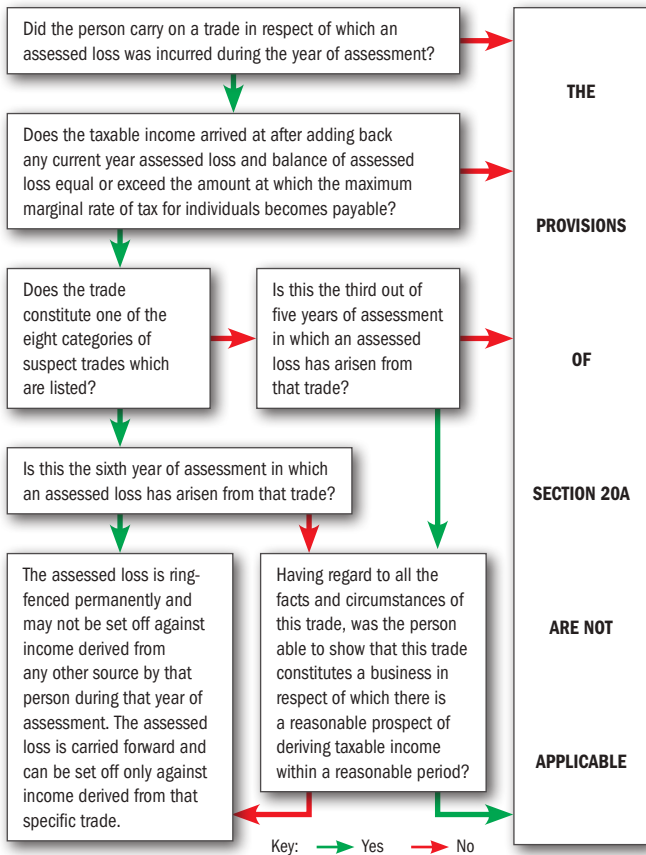
These restrictions apply to an individual whose taxable income is at the maximum marginal rate of tax, before setting off any assessed loss or balance of assessed loss.

For the restrictions to apply the person must have incurred an assessed loss from the secondary trade in at least three out of the last five years, or have carried on any of the following trades:

- any sport practised by that person or any relative
- any dealing in collectibles by that person or any relative
- the rental of residential accommodation, unless at least 80% of the residential accommodation is used by persons who are not relatives of that person for at least half of the year of assessment
- the rental of vehicles, aircraft or boats as defined in the Eighth Schedule, unless at least 80% of the vehicles, aircraft or boats are used by persons who are not relatives of that person for at least half of the year of assessment
- animal showing by that person or any relative
- farming or animal breeding, unless that person carries on farming, animal breeding or activities of a similar nature on a full-time basis
- any form of performing or creative arts practised by that person or any relative, or
- any form of gambling or betting practised by that person or any relative
- the acquisition or disposal of crypto assets

These provisions do not apply in respect of an assessed loss incurred by a person during any year of assessment from carrying on any trade as contemplated above, where that trade constitutes a business in respect of which there is a reasonable prospect of deriving taxable income (other than taxable capital gain) within a reasonable period. Where these losses have been incurred for at least six years out of the preceding ten years then such concession will not apply except for farming.

Checklist (flowchart) for the application of the ring-fencing provisions



Restraint of trade

Restraint of trade payments that are taxable in the hands of individuals, labour brokers and personal service providers are deductible by the payer over three years if the period of the restraint is less than three years, or over the period of the restraint if longer.

Leasehold improvements

Improvements made to leasehold property in terms of a lease agreement by the lessee must be included in the income of the lessor. Either the stipulated amount or a fair and reasonable value will be included.

The lessee may deduct such expenditure over the period of the lease. The lessor may be entitled to discount the value of the improvements over the period of the lease or 25 years, whichever is the shorter.

Pre-trade expenditure

Expenditure which would normally be deductible from income, actually incurred prior to the commencement and in connection with a specific trade, can be deducted from the income of that trade. The deduction is restricted to the income from that trade and may not be set off against the income from a different trade.

Research and Development

Research and development expenditure may qualify for incentive allowances whereby 150% of the operating expenses are deductible.

Certain requirements must, however, be met, including the Department of Science and Technology's approval of the deduction.

SUNDRY TAXES

Securities Transfer Tax

The tax is imposed at a rate of 0.25% on the transfer of listed or unlisted securities. No tax is payable on the original issue of shares. Securities consist of shares in companies or member's interests in close corporations.

Skills Development Levy

A Skills Development Levy is payable by employers at a rate of 1% of the total remuneration paid to employees. Employers paying annual remuneration of less than R500 000 are exempt from the payment of the levy.

Unemployment Insurance Fund Contributions

Unemployment Insurance Fund Contributions are payable monthly by employers on the basis of a contribution of 1% by employers and 1% by employees, based on employees' remuneration below R17 712 per month (R14 872 before 1 June 2021).

Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

EMPLOYMENT TAX INCENTIVE

The employment tax incentive was instituted in order to encourage employment creation for the youth (i.e. employees between the ages of 18 and 29 years) and the incentive will come to an end on 28 February 2029.

If an employer is eligible to receive the employment tax incentive in respect of a qualifying employee in respect of a month, that employer may reduce the employees' tax payable by that employer with the amount of the incentive.

The main requirements to qualify for this incentive are as follows:

- The taxpayer must be registered for the purposes of the withholding and payment of employees' tax

- The wage paid to an employee may not be less than the amount payable by virtue of a wage regulating measure applicable to that employer (i.e. a minimum wage) or if the amount of the wage payable to an employee is not subject to any wage regulating measure, the amount of R2 000 per month if the employee is employed for more than 160 hours in the month (if the employee is employed for less than 160 hours in a month and is paid remuneration in respect of those hours a percentage of R2 000 must be used)
- An employee is a qualifying employee if the employee:
 - ◆ is not an independent contractor
 - ◆ is not less than 18 years old and not more than 29 years old at the end of any month in respect of which the employment tax incentive is claimed
 - ◆ was not employed by the employer before 1 October 2013
 - ◆ is in possession of an identity card or is in possession of an asylum seeker permit
 - ◆ in relation to the employer, is not a connected person
 - ◆ is not a domestic worker
 - ◆ performs actual work in terms of a documented employment contract
 - ◆ is not mainly involved in studying
 - ◆ does not earn more than R6 500 (R6 000 before 1 March 2019) per month

The Minister of Finance designated special economic zones and industries in respect which an employer will also qualify for the incentive.

The amount of the employment tax incentive in respect of a qualifying employee is determined as follows:

- During each month of the first 12 months, 75% of the monthly remuneration of the employee if the employee's remuneration is less than R2 000, R1 500 (R1 000 before 1 March 2022) if the employee's remuneration is R2 000 or more but less than R4 500 and according to a formula if the employee's remuneration is R4 500 or more but less than R6 500.
- During each of the 12 months after the first 12 months that the same employer employs the qualifying employee, 37.5% of the monthly remuneration of the employee if the employee's remuneration is less than R2 000, R750 (R500 before 1 March 2022) if the employee's remuneration is R2 000 or more but less than R4 500 and according to a formula if the employee's remuneration is R4 500 or more but less than R6 500.

LEARNERSHIP ALLOWANCES

An annual and completion allowance of R40 000 may be claimed by the taxpayer for learnerships NQF qualifications from levels 1 to 6, and R20 000 for learnerships NQF qualifications from levels 7 to 10. The deduction claimable for disabled learners is R60 000 or R50 000 for both annual and completion allowances.

Where a learnership is terminated before a period of 12 full months the employer will be entitled to a pro rata portion of the annual allowance, regardless of the reason for the termination of the learnership. The completion allowance for a learnership of 24 months or more will be based on the number of consecutive 12 month periods completed \times the above annual allowance amount.

TRANSFER DUTY ON IMMOVABLE PROPERTY

- Calculated on the value of immovable property
- Payable within six months after the transaction is entered into
- Exemptions apply with the most notable when the seller is a VAT vendor
- Where a VAT vendor purchases property from a non-vendor, the notional input tax is calculated by multiplying the tax fraction (15/115 (14/114 before 1 April 2018)) by the lesser of the consideration paid or market value
- The acquisition of a contingent right in a trust that holds a residential property or the shares in a company or the member's interest in a close corporation, which owns residential property, comprising more than 50% of its assets, is subject to transfer duty at the applicable rate

Transfer duty is calculated as follows:

R0 – R1 000 000	0%
R1 000 001 – R1 375 000	3% of the value over R1 000 000
R1 375 001 – R1 925 000	R11 250 + 6% of the value over R1 375 000
R1 925 001 – R2 475 000	R44 250 + 8% of the value over R1 925 000
R2 475 001 – R11 000 000	R88 250 + 11% of the value over R2 475 000
R11 000 001 +	R1 026 000 + 13% of the value over R11 000 000

TAX SEASON DEADLINES 2022/2023

Income tax returns

	Individual	Company	Trust
Submitting tax returns manually	September	N/a	September
Non-provisional taxpayers filing via e-Filing	November	N/a	November
Provisional taxpayers filing via e-Filing	January	12 months after year-end	January

Provisional tax

	Individual	Company	Trust
First provisional tax	August	6 months after year-end	August
Second provisional tax	February	12 months after year-end	February
Third provisional tax	September	<ul style="list-style-type: none">■ 6 months after year-end if year-end is not February■ 7 months after year-end if year-end is February	September

Value-added tax

	Individual	Company	Trust
Submitting VAT returns manually	On or before the 25th of the month following the VAT period	On or before the 25th of the month following the VAT period	On or before the 25th of the month following the VAT period
Submitting VAT returns via e-Filing	On or before the end of the month following the VAT period	On or before the end of the month following the VAT period	On or before the end of the month following the VAT period

Payroll tax returns

	Individual	Company	Trust
Annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax certificates [IRP5/IT3(a)]	May	May	May
Interim/Bi-annual Employer Reconciliation Declaration (EMP501) and Employee Income Tax certificates [IRP5/IT3(a)]	October	October	October
Monthly declaration (EMP201)	On or before the 7th of the month following the payroll month	On or before the 7th of the month following the payroll month	On or before the 7th of the month following the payroll month

IRP 5 CODES

Normal Income Codes

- 3601 Income (taxable) i.e. salaries and wages (taxable), overtime (taxable)
- 3602 Income (non-taxable) i.e. pension payments (non-taxable), arbitration award (non-taxable)
- 3603 Pension payments (taxable)
- 3605 Annual payments (taxable) i.e. annual bonus, incentive bonus etc.
- 3606 Commission
- 3607 Overtime (taxable)
- 3608 Arbitration Award (taxable)
- 3610 RAF annuity (taxable)
- 3611 Purchased annuity (taxable)
- 3613 Restraint of Trade (taxable)
- 3614 Other Retirement Lump Sums (taxable)
- 3616 Independent Contractors (taxable)
- 3617 Labour Brokers (PAYE/IT)
- 3618 Annuity from Provident/Provident Preservation Fund
- 3619 Labour Brokers with Exemption Certificate (IT)
- 3620 Directors Fees – resident Non-Executive Director – voluntary PAYE withholding
- 3621 Directors Fees – Non-resident Non-Executive Director

Allowance Codes

- 3701 Travel Allowance (taxable)
- 3702 Reimbursive Travel Allowance (taxable: amount up to the prescribed limit/km that has not been exceeded)
- 3703 Reimbursive Travel Allowance (non-taxable)
- 3704 Subsistence Allowance – Local Travel (taxable)
- 3707 Share Options Exercised (taxable)
- 3708 Public Office Allowance (taxable)
- 3713 Other Allowances (taxable) i.e., Entertainment Allowance (taxable), Tool Allowance (taxable), Computer Allowance (taxable), Telephone/Cell Phone Allowance (taxable)
- 3714 Other Allowances (non-taxable) i.e., Subsistence Allowance – Local Travel (non-taxable)
Uniform Allowance (non-taxable), Subsistence Allowance – Foreign Travel (non-taxable), Relocation allowance (non-taxable)
- 3715 Subsistence Allowance – Foreign Travel (taxable)
- 3717 Broad-based Employee Share Plan (taxable)
- 3718 Vesting of equity instruments (taxable)
- 3719 Dividends not exempt i.t.o para (dd) of the proviso to s10(1)(k)(i)

- 3720 Dividends not exempt i.t.o. par (ii) of the proviso to s10(1)(k)(i) dividends
- 3721 Dividends not exempt i.t.o. par (jj) of the proviso to s 10(1)(k)(i) dividends
- 3722 Reimbursive Travel Allowance (taxable: amount only to the extent prescribed limit/km has been exceeded)
- 3723 Dividends not exempt i.t.o. par (kk) of the proviso to s 10(1)(k)(i) dividends
- 3724 Amount paid by any Covid-19 Disaster Relief Organisation

Fringe Benefit Codes

- 3801 General Fringe Benefit (taxable) i.e., Right of Use of Asset other than motor vehicle (taxable), acquisition of asset at less than actual value (taxable), Meals, refreshments and meal and refreshment Vouchers (taxable), Low interest or interest free loans or loan subsidies (taxable)
- 3802 Right of Use of Motor Vehicle (taxable)
- 3805 Accommodation (taxable) i.e. free or cheap residential or holiday accommodation (taxable)
- 3806 Services (taxable) i.e. free or cheap services
- 3808 Employee's debt (taxable)
- 3809 Bursaries or scholarships (taxable) – Basic Education
- 3810 Medical Aid contributions (taxable)
- 3813 Medical services cost (taxable)
- 3815 Bursaries and scholarships (non-taxable) – Basic Education
- 3816 Use of motor vehicle acquired by employers via "Operating Lease" (taxable)
- 3817 Taxable benefit i.r.o. Pension Fund Employer Contribution
- 3820 Taxable Bursaries or Scholarships – Further Education
- 3821 Non-Taxable Bursaries or Scholarships – Further Education
- 3822 Non-taxable Acquisition of Immovable Property
- 3825 Taxable Benefit i.r.o. Provident Fund Employer Contribution
- 3828 Taxable Benefit i.r.o. Retirement Annuity Employer Contribution
- 3829 Taxable Bursaries or Scholarships to a disabled person – Basic Education
- 3830 Non-taxable Bursaries or Scholarships to a disabled person – Basic Education

- 3831 Taxable Bursaries or Scholarships to a disabled person – Further Education
- 3832 Non-taxable Bursaries or Scholarships to a disabled person – Further Education
- 3833 Benefit Bargaining Council Employer Contribution (taxable)
- 3834 Non-taxable Benefit - Loan to purchase Immovable Residential Property

Important: To report foreign income, add a value of 50 to all normal, allowance, fringe benefit and lump sum codes e.g. 3606 will be 3656, except 3908, 3915, 3920, 3921, 3922, 3923 and 3924.

Lump Sum Codes

- 3901 Gratuities/Severance Benefits (taxable)
- 3906 Special Remuneration (taxable) i.e. proto-teams
- 3907 Other Lump Sums (taxable) i.e. Backdated salaries extended over previous tax year, Lump sum payments by unapproved funds, Gratuity paid to an employee due to normal termination of service, Employer owned insurance policy (risk policy) proceeds NOT exempt ito the exclusion in section 10(1)(gG) (i) of the Income Tax Act)
- 3908 Surplus Apportionments and Employer Owned Policy Proceeds (non-taxable)
- 3915 Retirement/involuntary termination of employment lump sum benefits/Commutation of annuities (taxable)
- 3920 Lump sum withdrawal benefits (taxable)
- 3921 Living annuity and section 15C of the Pension Funds Act, surplus apportionments (taxable)
- 3922 Compensation i.r.o death during employment (Excl/PAYE)
- 3923 Transfer of Unclaimed Benefits
- 3924 Transfer on retirement: after reaching normal retirement age but before retirement date

Gross Remuneration Codes

- 3696 Gross Non-Taxable Income
- 3699 Gross Taxable Employment Income

Employee's Tax Deduction and Reason Codes

- 4102 PAYE
- 4115 Tax on Retirement Lump Sum and Severance benefits
- 4116 Medical Scheme Fees Tax Credit taken into account by the employer for PAYE purposes
- 4118 Employment Tax Incentive
- 4120 Additional medical expense credit allowed for employee older than 65
- 4141 UIF contribution

- 4142 SDL contribution
- 4149 Total Tax, SDL and UIF (excluding the value of 4116 Medical Scheme Fees Tax Credit taken into account by the employer for PAYE purposes).
- 4150 02 – Earn Less than the Tax Threshold
- 03 – Independent Contractor or Non-Executive Director
- 04 – Non Taxable Earnings (including nil directive)
- 05 – Exempt Foreign Employment Income
- 06 – Director's Remuneration – Income Determined in the following Tax Year
- 07 – Labour Broker with IRP30
- 08 – No Tax to be withheld due to Medical Scheme Fees Tax Credit allowed
- 09 – Par 11A(5) Fourth Schedule notification – No withholding possible

Deduction Codes

- 4001 Current Pension Fund Contributions
- 4003 Current Provident Fund Contributions, Arrear Provident Fund Contributions
- 4005 Medical Aid Contributions
- 4006 Current Retirement Annuity Fund Contributions
- 4024 Medical services costs deemed to be paid by the employee in respect of himself/herself, spouse or child
- 4030 Donations deducted from the employee's remuneration and paid by the employer to an Approved Organisation
- 4055 Covid-19 Solidarity Fund Donations
- 4472 Employer's Pension Fund Contributions
- 4473 Employer's Provident Fund Contributions
- 4474 Employer's medical scheme contributions in respect of employees not included in code 4493
- 4475 Employer's Retirement Annuity Contributions
- 4493 Employer's Medical Aid Contributions i.r.o Retired Employees
- 4497 Total Deductions/Contributions
- 4582 Portion of travel allowance and motor fringe benefit included in remuneration
- 4583 Remuneration portion of foreign travel allowance, motor vehicle fringe benefit and Reimbursive Travel Allowance
- 4584 Employer's Bargaining Council contributions
- 4585 Employer's pension fund contributions retired employees qualify for "no value" fringe benefit
- 4586 Employer's provided fund contributions retired employees qualify for "no value" fringe benefit
- 4587 Section 10(1)(o)(ii) exemption taken into account by employer for PAYE

PENALTIES: ADMINISTRATIVE NON-COMPLIANCE

Administrative non-compliance penalties are penalties for the failure to keep proper records, failure to report reportable arrangements, non-compliance with a request for information, obstruction of SARS officials and failure to comply with tax obligations. The following non-compliance penalties could be charged:

- Fixed amount penalties (this penalty increases monthly, calculated from one month after the penalty assessment)
- Percentage based penalties
- Understatement penalties

Fixed amount penalties

Fixed rate penalties can be imposed by SARS for non-compliance with any procedural or administrative action or duty imposed or requested, for example:

- Not registering when required to
- Not informing SARS where there is a change in registration details
- Not filing returns
- Not retaining records as required by SARS

The fixed rate penalty does not apply where the percentage base penalty or understatement penalty applies.

Fixed rate penalties can be imposed as per the following table:

Assessed Loss or taxable income for preceding year	Monthly penalty
Assessed loss	R250
R0 - R250 000	R250
R250 001 - R500 000	R500
R500 001 - R1 000 000	R1 000
R1 000 001 - R5 000 000	R2 000
R5 000 001 - R10 000 000	R4 000
R10 000 001 - R50 000 000	R8 000
R50 000 000 +	R16 000

Percentage based penalties

The percentage based penalty is imposed where SARS is satisfied that the taxpayer has not paid the tax as and when required under a Tax Act. This penalty is equal to a percentage of the tax not paid. The following percentage based penalties will be imposed:

Tax type	Penalty percentage
Income tax	10% under certain circumstances (i.e. sec 35A)
Provisional tax	<ul style="list-style-type: none">10% on the late or non-payment of provisional tax20% if provisional tax estimate has been understated (the non-submission of the return within four months after year-end is deemed to be a submission with an estimate of Rzero)
Employers' and employees' tax	<ul style="list-style-type: none">10% if return has not been filed10% if employee tax and/or UIF has not been paid10% if fringe benefits have not been indicated on employee's tax certificates
Value-Added Tax	10% on the late payment of VAT

Understatement penalties

The understatement penalty is a percentage in accordance with the table set out below and is applied to the shortfall of the tax. It applies to all taxes and could be charged when there is a default in rendering a return, an omission from a return, an incorrect statement in a return and, if no return is required, the failure to pay the correct amount of tax. Excluded from the understatement penalties are penalties resulting from a "bona fide inadvertent error".

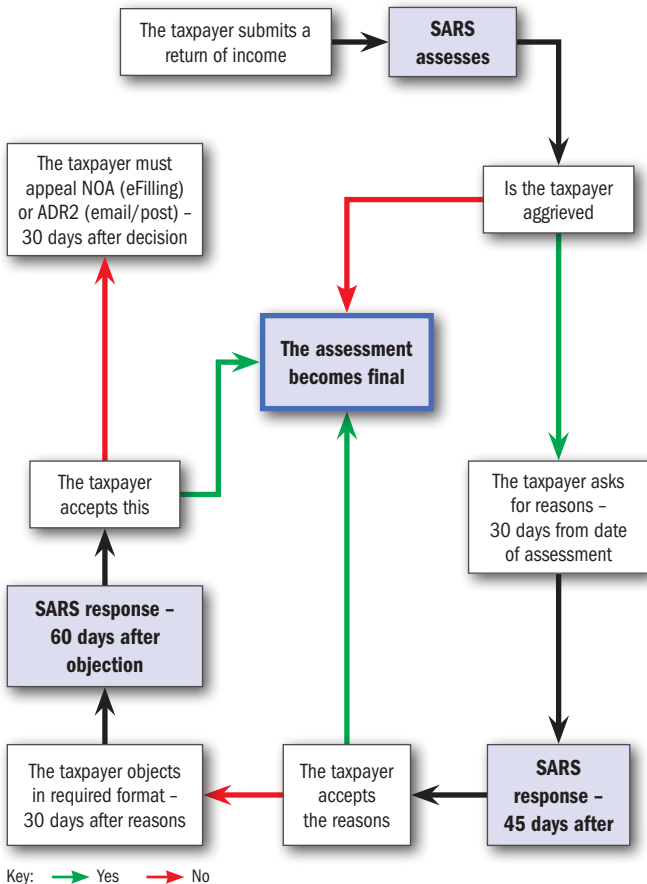
The following definitions relate to the understatement table below:

- **Substantial understatement** means a case where the prejudice to SARS or the fiscus exceeds the greater of 5% of the amount of 'tax' properly chargeable or refundable under a Tax Act for the relevant tax period, or R1 000 000
- **Repeat case** means a second or further case of any of the behaviours listed under the table above within five years of the previous case

- **Reasonable care not taken** means that a taxpayer is required to take the degree of care that a reasonable, ordinary person in the circumstances of the taxpayer would take to fulfill his or her tax obligations
- **No reasonable grounds for the tax position** would occur when the taxpayer does not have a reasonably arguable position. A taxpayer's interpretation of the application of the law is reasonably arguable if, having regard to the relevant authorities, for example an income tax law, a court decision or a general ruling, it would be concluded that what is being argued by the taxpayer is at least as likely as not, correct
- **Impermissible avoidance arrangement** means an arrangement as defined in the General Anti-Avoidance Rules in the Income Tax Act
- **Gross negligence** means doing or not doing something in a way that, in all the circumstances, suggests or implies complete or a high level of disregard for the consequences. Gross negligence involves recklessness but does not require an element of wrongful intent or "guilty mind", or intent to breach a tax obligation
- **Intentional tax evasion** is a willful act that exists when a person's conduct is meant to disobey or wholly disregard a known legal obligation. Knowledge of illegality is crucial

Behaviour	Standard case	Obstructive or repeat case	Voluntary disclosure after audit notification	Voluntary disclosure before audit notification
Substantial understatement	10%	20%	5%	0%
Reasonable care not taken in completing return	25%	50%	15%	0%
No reasonable grounds for tax position	50%	75%	25%	0%
Impermissible avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

DISPUTE RESOLUTION PROCESS



RETENTION OF RECORDS

DOCUMENT	RETENTION PERIOD
Companies Act	
<ul style="list-style-type: none"> ■ Any documents, accounts, books, writing, records or other information that a company is required to keep in terms of the Companies Act and other public regulation 	7 years or longer (as specified in other public regulation)
<ul style="list-style-type: none"> ■ Registration certificate ■ Memorandum of Incorporation ■ Rules ■ Securities register and uncertificated securities register ■ Register of company secretary and auditors 	Indefinite
<ul style="list-style-type: none"> ■ Notice and minutes of all shareholders' meetings ■ Copies of reports presented at the annual general meeting of the company ■ Copies of annual financial statements ■ Copies of accounting records ■ Record of directors and past directors, after the director has retired from the company ■ Written communication to holders of securities ■ Minutes and resolutions of directors' meetings, audit committee and directors' committees 	7 years
Close Corporations Act	
<ul style="list-style-type: none"> ■ Accounting records ■ Annual financial statements 	15 years
<ul style="list-style-type: none"> ■ Founding statement (Form CK 1) ■ Amended Founding statement (forms CK 2 and CK 2A) ■ Microfilm image of any original record reproduced directly by the camera - the "camera master" ■ Minutes books as well as resolution passed at meetings 	Indefinite

DOCUMENT	RETENTION PERIOD
Income Tax and VAT Act	
<ul style="list-style-type: none"> ■ In respect of each employee the employer shall keep a record showing: amount of remuneration paid or due by him to the employee; the amount of employees' tax deducted or withheld from the remuneration paid or due; the income tax reference number of that employee; any further prescribed information; Employer Reconciliation return (EMP501) ■ The following records of importation of goods and documents: Bill of entry or other documents prescribed by the Custom and Excise Act, proof that the VAT charge has been paid to SARS ■ VAT Vendors are obliged to keep the following records: record of all goods and services, the rate of tax applicable to the supply and the suppliers or their agents, invoices, tax invoices, credit notes, debit notes, bank statements, deposit slips, stock lists and paid cheques ■ Documentary proof for zero-rating of supplies 	<p>5 years from date of submission of the return (documents relating to the acquisition of assets should be retained indefinitely for future capital gains tax calculations)</p>

Note: The records, books of account and documents must be retained in their original form in a safe place, or electronic format as prescribed by the Commissioner or in a form authorised by a senior SARS official.

WEAR AND TEAR ALLOWANCES

The following rates of wear and tear are allowed by SARS in terms of Interpretation Note 47:

Type of asset	No. of years for write-off	Type of asset	No. of years for write-off
Adding machines	6	Curtains	5
Air-conditioners		Debarking equipment	4
window	6	Delivery vehicles	4
mobile	5	Demountable partitions	6
room unit	10	Dental and doctors' equipment	5
Air-conditioning assets		Dictaphones	3
air handling units	20	Drilling equipment (water)	5
cooling towers	15	Drills	6
condensing sets	15	Electric saws	6
Aircraft (light passenger or commercial helicopters)	4	Electrostatic copiers	6
Arc welding equipment	6	Engraving equipment	5
Artefacts	25	Escalators	20
Balers	6	Excavators	4
Battery chargers	5	Fax machines	3
Bicycles	4	Fertiliser spreaders	6
Boilers	4	Fire arms	6
Bulldozers	3	Fire extinguishers (loose units)	5
Bumping flaking	4	Fire detections systems	3
Carports	5	Fishing vessels	12
Cash registers	5	Fitted carpets	6
Cell phone antennae	6	Food bins	4
Cell phone masts	10	Food-conveying systems	4
Cellular telephones	2	Fork-lift trucks	4
Cheque-writing machines	6	Front-end loaders	4
Chillers		Furniture and fittings	6
Absorption type	25	Gantry cranes	6
Centrifugal	20	Garden irrigation equipment (movable)	5
Cinema equipment	5	Gas cutting equipment	6
Cold drink dispensers	6	Gas heaters and cookers	6
Communication systems	5	Gear boxes	4
Compressors	4	Gear shapers	6
Computers		Generators (portable)	5
mainframe	5	Generators (standby)	15
personal	3	Graders	4
Computer tablet & similar devices	2	Grinding machines	6
Computer software (mainframes)		Guillotines	6
purchased	3	Gymnasium equipment	
self-developed	5	Cardiovascular	2
Computer software (personal computers)	2	Health testing	5
Concrete mixers portable	4	Weights and strength	4
Concrete transit mixers	3	Spinning	1
Containers	10	Other	10
Crop sprayers	6	Hairdressers' equipment	5
		Harvesters	6

Type of asset	No. of years for write-off	Type of asset	No. of years for write-off
Heat dryers	6	Radio communication	5
Heating equipment	6	Refrigerated milk tankers	4
Hot water systems	5	Refrigeration equipment	6
Incubators	6	Refrigerators	6
Ironing and pressing equipment	6	Runway lights	5
Kitchen equipment	6	Sanders	6
Knitting machines	6	Scales	5
Laboratory research equipment	5	Security systems removable	5
Lathes	6	Seed separators	6
Laundromat equipment	5	Sewing machines	6
Law reports	5	Shakers	4
Lift installations	12	Shop fittings	6
Medical theatre equipment	6	Solar energy units	5
Milling machines	6	Special patterns and tooling	2
Mobile caravans	5	Spin dryers	6
Mobile cranes	4	Spot welding equipment	6
Mobile refrigeration units	4	Staff training equipment	5
Motors	4	Surge bins	4
Motorcycles	4	Surveyors:	
Motorised chain saws	4	Field equipment	5
Motorised concrete mixers	3	Instruments	10
Motor mowers	5	Tape-recorders	5
Musical instruments	5	Telephone equipment	5
Navigation systems	10	Television and advertising films	4
Neon signs and advertising boards	10	Television sets, video machines and decoders	6
Office equipment - electronic	3	Textbooks	3
Office equipment - mechanical	5	Tractors	4
Oxygen concentrators	3	Trailers	5
Ovens and heating devices	6	Traxcavators	4
Ovens for heating food	6	Trollies	3
Packaging equipment	4	Trucks (heavy-duty)	3
Paintings (valuable)	25	Trucks (other)	4
Pallets	4	Truck-mounted cranes	4
Passenger cars	5	Typewriters	6
Patterns, tooling and dies	3	Vending machines (including video game machines)	6
Pellet mills	4	Video cassettes	2
Perforating equipment	6	Warehouse racking	10
Photocopying equipment	5	Washing machines	5
Photographic equipment	6	Water distillation and purification plant	12
Planers	6	Water tankers	4
Pleasure craft, etc.	12	Water tanks	6
Ploughs	6	Weighbridges (movable parts)	10
Portable safes	25	Wire line rods	1
Power tools (hand-operated)	5	Workshop equipment	5
Power supply	5	X-ray equipment	5
Public address systems	5		
Pumps	4		
Racehorses	4		
Radar systems	5		

The acquisition of "small" items at a cost of less than R7 000 per item may be written off in full during the year of acquisition.

FINANCE REPAYMENT FACTORS

The following table reflects repayments on every R1 000 borrowed.

Short/Medium/Long term Financing							
Rate	36 Months	48 Months	60 Months	10 Years	20 Years	25 Years	30 Years
07,0%	30,88	23,95	19,08	11,61	07,75	07,07	06,65
07,5%	31,11	24,18	20,04	11,87	08,06	07,39	06,99
08,0%	31,34	24,41	20,28	12,13	08,36	07,72	07,34
08,5%	31,57	24,65	20,52	12,40	08,68	08,05	07,69
09,0%	31,80	24,89	20,76	12,67	09,00	08,39	08,05
09,5%	32,03	25,12	21,00	12,94	09,32	08,74	08,41
10,0%	32,27	25,36	21,25	13,22	09,65	09,09	08,78
10,5%	32,50	25,60	21,49	13,49	09,98	09,44	09,15
11,0%	32,74	25,85	21,74	13,78	10,32	09,80	09,52
11,5%	32,98	26,09	21,99	14,06	10,66	10,16	09,90
12,0%	33,21	26,33	22,24	14,35	11,01	10,53	10,29
12,5%	33,45	26,58	22,50	14,64	11,36	10,90	10,67
13,0%	33,69	26,83	22,75	14,93	11,72	11,28	11,06
13,5%	33,94	27,08	23,01	15,23	12,07	11,66	11,45
14,0%	34,18	27,33	23,27	15,53	12,44	12,04	11,85
14,5%	34,42	27,58	23,53	15,83	12,80	12,42	12,25
15,0%	34,67	27,83	23,79	16,13	13,17	12,81	12,64
15,5%	34,91	28,08	24,05	16,44	13,54	13,20	13,05
16,0%	35,16	28,34	24,32	16,75	13,91	13,59	13,45
16,5%	35,40	28,60	24,58	17,06	14,29	13,98	13,85

INTEREST RATES

EFFECTIVE DATE	RATE
Late or underpayments of Tax	
1 May 2020	9.75%
1 July 2020	7.75%
1 September 2020	7.25%
1 November 2020	7.00%
1 March 2022	7.25%
Fringe benefits – official rate of interest	
1 August 2019	7.50%
1 February 2020	7.25%
1 April 2020	6.25%
1 May 2020	5.25%
1 June 2020	4.75%
1 August 2020	4.50%
1 December 2021	4.75%
1 February 2022	5.00%
Overpayments of tax	
1 May 2020	5.75%
1 July 2020	3.75%
1 September 2020	3.25%
1 November 2020	3.00%
1 March 2022	3.25%
Prime Overdraft Rates	
20 March 2020	8.75%
15 April 2020	7.75%
22 May 2020	7.25%
24 July 2020	7.00%
18 November 2021	7.25%
28 January 2022	7.50%

NOTES

IMPORTANT NOTE

The information contained in this booklet is a summary of current legislation and budget proposals proposed by the Minister of Finance on the 23rd February 2022. We suggest that you do not act solely on material contained in the booklet as the nature of the information contained herein is general and may in certain circumstances be subject to misinterpretation. In addition, the budget proposals may not include all legislative adjustments which could be made in the near future. Consequently we recommend that our advice be sought when encountering these potentially problematic areas. While every care has been taken in the compilation of the booklet, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors or omissions.



Our specialist services include:

Accounting and auditing

Taxation

Business consultations

Acquisitions, mergers and reconstructions

Black Economic Empowerment consulting

Internal auditing

Trusts, wills and administration of estates

Payroll services

Corporate saver

Advisory Services



Now, for tomorrow

Baker Tilly Greenwoods is a member of the global network of Baker Tilly International Ltd and the local network of Baker Tilly South Africa Proprietary Limited, the members of which are separate and independent legal entities.

Baker Tilly JHB is a member of the global network of Baker Tilly International Ltd and the local network of Baker Tilly South Africa Proprietary Limited, the members of which are separate and independent legal entities.

Baker Tilly Morrison Murray is a member of the global network of Baker Tilly International Ltd and the local network of Baker Tilly South Africa Proprietary Limited, the members of which are separate and independent legal entities.