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Quick Tax Guide 2021/22

South Africa

Making an impact that matters

Contents

Individuals

Tax Rates and Rebates

Individuals, Estates & Special Trusts (1) (Year ending 28 February 2022)

Taxable income	Rate of tax
R0 – R216 200	18% of taxable income
R216 201– R337 800	R38 916 + 26% of taxable income above R216 200
R337 801 – R467 500	R70 532 + 31% of taxable income above R337 800
R467 501 – R613 600	R110 739 + 36% of taxable income above R467 500
R613 601 – R782 200	R163 335 + 39% of taxable income above R613 600
R782 201 – R1 656 600	R229 089 + 41% of taxable income above R782 200
R1 656 601 and above	R587 593 + 45% of taxable income above R1 656 600

Note (1): Trusts for the benefit of ill or disabled persons and testamentary trusts established for the benefit of minor children.

Rebates		
Primary Rebate:	All individuals	R15 714
Age Rebate(s) *:		
Secondary Rebate	Age 65 and older	R8 613
Tertiary Rebate	Age 75 and older	R2 871

Additional to Primary Rebate.

Tax Threshold	
Below age 65	R87 300
Age 65 and older	R135 150
Age 75 and older	R151 100

Exemptions

Interest Exemption - Local Interest	
Individuals under 65 years of age	R23 800 per annum
Individuals over 65 years of age	R34 500 per annum

Interest earned by a non-resident is exempt unless the non-resident was physically present in South Africa for more than 183 days during the 12-month period preceding the date on which the interest is received or accrued, or the debt from which the interest arises is effectively connected to a permanent establishment (PE) of that person in South Africa.

Dividends
Subject to certain exceptions, local dividends are fully exempt from income tax in the hands of the recipient. However, see comments below in respect of WHT on dividends in the form of a dividends tax. Dividends received by a South African resident individual from REITs (listed and regulated property-owning companies) are subject to income tax, while non-residents who receive these dividends are only subject to dividends tax. Foreign dividends are subject to income tax in the hands of a South African shareholder but exempt if the shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Foreign dividends received by individuals from foreign companies are taxable at a maximum effective rate of 20%. No deductions are allowed for expenses incurred to produce foreign dividends.

Tax-free investments
Amounts received by or accrued to an individual in respect of particular prescribed investment instruments and policies are exempt. Contributions to these prescribed investments/policies are subject to an annual limit of R36 000. Currently, a R500 000 lifetime limit applies.

Remuneration for services rendered outside South Africa
With effect from 1 March 2020, South African residents working abroad for more than 183 days in any 12-month period, and for a continuous period of more than 60 days during that period, are exempt from income tax on remuneration for services rendered while abroad, to the extent the remuneration does not exceed R1.25 million. The period of 183 days has been reduced to 117 days for the year ending 28 February 2021 in light of the COVID-19 pandemic.

An employer can apply for a tax directive from SARS to vary the method to withhold or deduct PAYE on a monthly basis. This method would generally involve the potential foreign tax payable to be taken into account on a monthly basis when calculating the PAYE liability

Deductions and Tax Credits
Medical expenses
- Medical scheme fees tax credit: Monthly credit of R332 each for the taxpayer and his/her spouse (or first dependant), and a further R224 for every additional dependant.
- Taxpayers 65 years (or older) and taxpayers with a disability (taxpayer, spouse or child):
  - 33.3% of the amount of contributions to a medical scheme as exceeds 3 times the medical scheme fees tax credit.
  - 33.3% of qualifying medical expenses paid and borne by the individual.
- Taxpayers under 65 years:
  - 25% of the aggregate of the amount of fees paid to a medical scheme as exceeds 4 times the medical scheme fees tax credit and qualifying medical expenses as exceeds 7.5% of taxable income (before medical deduction and excluding retirement lump sum benefits).

Retirement fund contributions
- A taxable fringe benefit will arise in the hands of the employee in relation to an employer's contribution to a retirement fund.
- Amounts contributed (by the employer and employee) to pension, provident and retirement annuity funds during a year of assessment are deductible by members of those funds, subject to certain limits.
- Individuals will be able to claim a deduction limited to the lesser of:
  - R350 000; or
  - 27.5% of the higher of their remuneration or their taxable income* (both excluding retirement fund lump sums and severance benefits); or}
  - Taxable income*(excluding retirement fund lump sums and severance benefits) before the inclusion of taxable capital gains

Subject to certain exceptions, any excess may be carried forward to the following year of assessment and is deemed to be contributed in that following year.
*Taxable income as determined before allowing a deduction in respect of contributions to retirement funds, foreign tax deductions and donations.

Donations
Donations to certain approved public benefit organisations (PBOs) are tax deductible. The tax deduction is limited to 10% of taxable income before donations (excluding retirement fund lump sums and severance benefits). Any excess may be carried forward and is treated as a donation made in the subsequent year.

Benefits and Allowances

Travel allowances

The following table sets out the three components of the rates which may be used in determining the cost of business travel, where actual costs are not used. PAYE is withheld from 80% of travel allowances (20% is allowed in some circumstances):

Value of the vehicle (incl. VAT) (R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 – 95 000	29 504	104.1	38.6
95 001 – 190 000	52 226	116.2	48.3
190 001 – 285 000	75 039	126.3	53.2
285 001 - 380 000	94 871	135.8	58.1
380 001 - 475 000	114 781	145.3	68.3
475 001 - 570 000	135 746	166.7	80.2
570 001 - 665 000	156 711	172.4	99.6
Exceeding 665 000	156 711	172.4	99.6

* If the travel allowance is applicable to a portion of the tax year, the fixed cost is reduced proportionately.

** Where the travel allowance is based on 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 of 382 cents per kilometre regardless of the value of the vehicle. 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.

*** The logbook method to claim business travelling expenses is compulsory.

Company car fringe benefit

Termination of the taxable value for all vehicles provided by an employer is as follows:

No maintenance plan	3.5% per month x determined value (retail market value as determined by Regulation)
Maintenance plan	3.25% per month x determined value (retail market value as determined by Regulation)
Held under operating lease (per s23A)	Costs incurred by employer under the lease plus fuel costs

The value of the benefit will be reduced by any consideration paid by the employee (other than consideration relating to insurance, licensing, maintenance or fuel) for which there are specific deductions available.

On assessment, the individual can claim a deduction, against the value of the taxable fringe benefit, for business use where an employee can furnish accurate records of distances travelled for business purposes and total distances travelled. The taxable fringe benefit is also reduced where the employee has borne the full expenditure relating to maintenance, licensing, insurance or fuel in relation to the company car, and has kept accurate details thereof. 80% (or 20% in certain instances) of the fringe benefit will be included in remuneration for PAYE purposes.

Residential accommodation

The taxable fringe benefit will ordinarily be calculated by applying a prescribed formula, but it will comprise the lower of the formula and the expenses incurred in respect of the accommodation by the employer in circumstances where the employer supplied accommodation that was obtained under an arm's length transaction with an independent third party. Any consideration given by an employee for such accommodation may reduce the value of the taxable benefit which is subjected to tax.

No taxable fringe benefit will apply in certain circumstances, including in the case of accommodation provided to employees who are away from their usual place of residence within South Africa or their usual place of residence outside South Africa (i.e. in respect of expatriate employees), subject to certain conditions and limitations.

Subsistence allowances

Subsistence allowances are tax-free if they are granted to an employee who is obliged to spend at least one night away from his or her usual place of residence whilst on business and if they do not exceed the following amounts:

Meals and incidental costs per day (Re-public)	Meals and incidental costs per day (outside Republic)	Incidental costs per day
R452	Varying amounts	R139

In addition, a tax free amount, of R139 per day may be provided to an employee who is allowed by his/her employer to incur costs on meals and other incidental costs while he/she is by reason of his/her duties of employment obliged to spend a part of a day away from his/her place of work or employment.

Interest-free or low-interest loans

The difference between interest charged at the official rate and the actual amount of interest charged, is to be included in gross income as a taxable fringe benefit.

Retirement Fund Lump Sum Withdrawal Benefits

Lump sum benefits in consequence of the withdrawal of membership of a retirement fund, including amounts assigned in terms of divorce settlements in certain circumstances, other than death/retirement lump sum benefits, are taxed according to the following table:

Taxable income from withdrawal benefits	Tax payable
R0 - R25 000	0% of taxable income
R25 001 – R660 000	18% of taxable income above R25 000
R660 001 – R990 000	R114 300 + 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Note: Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009), or a severance benefit (after 1 March 2011).

Severance Benefits and Retirement Fund Lump Sum Benefits

Severance benefits are lump sums received by employees from employers in respect of the relinquishment or termination of employment for the following reasons:

- Attaining the age of 55 years.
- Due to incapacity through sickness, accident, injury or infirmity of mind/body.
- Retrenchment due to cessation of trade or general reduction in staff.

Severance benefits and lump sum awards following death, retirement or retrenchment are taxed according to the following table:

Taxable income from severance benefits	Tax payable
R0 – R500 000	0% of taxable income
R500 001 - R700 000	18% of taxable income above R500 000
R700 001 – R1 050 000	R36 000 + 27% of taxable income above R700 000
R1 050 001 and above	R130 500 + 36% of taxable income above R1 050 000

Note: Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009), or a severance benefit (after 1 March 2011).

Companies and Trusts

Tax Rates

(Unless otherwise stated, financial years ending on any date between 1 April 2021 and 31 March 2022)

Basic rate (other than entities specified below)*	28%
Companies in certain special economic zones	15%
Trusts (other than special trusts)**	45%

* This rate will be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022,

** Years of assessment ending during the period of 12 months ending on 28 February 2022.

- Small business corporations (annual turnover of R20 million or less):

Taxable income	Rate of tax
R1 – 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

- Turnover tax for micro-businesses (qualifying annual turnover of R1 million or less)*:

Taxable turnover	Rate of tax
R1 – R335 000	0% of taxable turnover
R335 001 – R500 000	1% of taxable turnover above R335 000
R500 001 – R750 000	R1 650 + 2% of taxable turnover above R500 000
R750 001 and above	R6 650 + 3% of taxable turnover above R750 000

*Years of assessment commencing on 1 March 2021 or ending on 28 February 2022.

- Long-term insurers:
  - Individual policyholder fund 30%
  - Company policyholder fund and risk fund 28%
  - Corporate fund 28%
  - Untaxed policyholder fund 0%
- Gold mining companies:
  - On gold mining income 34 - (170/x)*

* Where "x" is the ratio of taxable income from gold mining to income from gold mining, expressed as a percentage.

  - On other income 28%
- Foreign resident companies earning SA source income: 28%
- PBOs and recreational clubs*: 28%

* Annual trading income exemption for PBOs and recreational clubs are greater of 5% of total receipts/accruals or R200 000 and 5% of total membership/subscription fees or R120 000 respectively.

Capital Allowances

Buildings

- Industrial (manufacture or similar process):
  - Commenced 1/7/96 – 30/9/99 — 10%
  - After 1 January 1989 — 5%
  - Other — 2%
- New and unused commercial buildings (and improvements): — 5%

* The s13quat urban development zone tax incentive will be extended for a further two years until 31 March 2023.

Intellectual property (see also Research and development)

- Costs incurred in acquiring (i.e. other than developing or creating):
  - Inventions, patents or copyrights — 5%
  - Designs — 10%

Note: Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trademarks.

Research and development (R&D)

Costs incurred in any year of assessment:

In respect of qualifying expenditure	150%
In respect of qualifying assets	50%/30%/20%

Note: The R&D must be approved by the Minister of Science and Technology in advance to qualify for the enhanced allowance of 150%. To the extent that government grants are received to fund R&D, the expenditure so incurred does not qualify for the additional 50% allowance. Certain activities are excluded.

The research and development tax incentive is set to expire on 1 October 2022 however the National Treasury and Department of Science and Innovation are expected to publish a discussion paper during the course of the 2021 year for public comment on the future of the incentive.

Plant and machinery

Manufacturing or similar process (new only)	40%/20%/20%/20%
Industrial policy projects (additional investment allowance):	
- Preferred status	*55%*
- Preferred status in IDZ (SEZ)	*100%*
- Other	*35%*
- Other in IDZ (SEZ)	*75%*
Renewable energy technology equipment	50%/30%/20%
Small business corporations:	
- Manufacturing assets	*100%*
*- Other depreciable assets**	*50%/30%/20%*

* General depreciation regime optional.

Movable capital assets

Assets that are not subject to other capital allowances: Wear-and-tear at rates in terms of Interpretation Note No.47 (Issue 5) may apply. Any asset costing R7 000 or less may be written off in the year in which it is acquired.

Older buildings, plant, aircraft and ships and R&D assets

These may be subject to allowances at different rates.

Use of assessed losses

Government has proposed that limitations to the offsetting of assessed losses may apply, linked to the reduction of the corporate tax rate (effective for companies with years of assessment commencing on or after 1 April 2022). In 2020, it was proposed that the use of assessed losses be limited to 80% of taxable income.

Employees' Tax (PAYE)

Employees' tax is withheld by an employer from any remuneration paid to an employee.

Note: All allowances paid to an employee, with certain limited exceptions, are subject to employees' tax in full or according to a prescribed formula.

Skills Development Levy (SDL)

SDL is levied at 1% the "leviable amount". Generally, the "leviable amount" is the total value of remuneration which is subjected to PAYE, but it excludes amounts paid to independent contractors, severance benefit, reimbursement payments to employees, pensions paid and remuneration of learners under contract. Employers with annual payroll of less than R500 000 are exempt, as well as certain approved PBOs.

Unemployment Insurance Fund (UIF) Contributions

UIF 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 a certain amount. From 1 March 2021, the contribution ceiling has been increased to R17 711.58. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Employment Tax Incentive (ETI)

Employers of qualifying employees (e.g. employees between the age of 18 and 29 years) may be eligible for a rebate, against the employees' tax payable as follows:

- First twelve months of qualifying employee's employment:
  - 50% of an employee's monthly remuneration up to R2 000 per month. (This would only be applicable if the minimum wage prescribed by the relevant sector determination or bargaining council agreement was less than R2 000 per month).
  - For an employee with a monthly remuneration of between R2 000 and R4 500, the incentive will be R1 000 per month.
  - For employees with monthly remuneration of between R4 500 and R6 500, the value of the incentive will be between R1 000 and zero per month, as determined in terms of a formula.
- Second twelve months of qualifying employee's employment: Half of the amounts mentioned above.

It is proposed that the definition of "employee" be amended for ETI purposes to specify that the work must be performed in terms of an employment contract that adheres to record-keeping provisions in accordance with the Basic Conditions of Employment Act.

Other Taxes, Duties and Levies

Withholding Taxes (WHTs)

Dividends tax

Dividends tax (DT) must be withheld from dividends at a rate of 20% by local companies and foreign companies on shares listed on the Johannesburg Stock Exchange (JSE). The rate may be reduced in terms of Double Taxation Agreements (DTAs). Exemptions apply for domestic retirement funds, PBOs and domestic companies. Certain requirements have to be complied with in order for the exemption or reduced rate to apply.

Other payments to non-residents#

Royalties*	15%
Interest**	15%
Foreign sportsmen and entertainers who perform in SA	15%
Fixed property acquired in SA from a seller that is a non-resident:	
If the non-resident is a natural person	*7.5%*
If the non-resident is a company	10%
If the non-resident is a trust	*15%*

Note: WHT is not payable on fixed property if the total amount payable for the immovable property does not exceed R2 million.

\# Certain of these rates may be reduced by DTAs.
* The WHT on royalties is a final tax levied at 15%.The WHT does not apply to amounts derived by non-resident companies from a branch or agency in South Africa, or to amounts relating to the use of certain copyrights in printed publications, or royalties paid to any controlled foreign company.
** Certain exemptions apply (e.g. government bonds, listed debt and local collective investment schemes).
*** South Africa does not levy withholding tax on service fees. Certain transactions may however give rise to a requirement to formally report the arrangement to SARS.

Capital Gains Tax (CGT)

Inclusion rates*	
Individuals, special trusts and individual policyholder funds	40%
Other taxpayers	80%

Exclusions	
Individuals, special trusts and individual policyholder funds	R40 000
Companies	nil
Individuals in year of death	R300 000
Primary residence exclusion on the disposal of a primary residence	R2 million gain/loss
Small business assets (persons over age 55 and market value of assets not more than R10 million)	R1.8 million

Value-Added Tax (VAT)

Rates: 15% and 0%

The VAT registration threshold is R1 million of taxable supplies per annum. A vendor making taxable supplies of more than R50 000, but not more than R1 million per annum, may apply for voluntary registration. Non-residents that carry on an enterprise in South Africa are required to register. Certain supplies are zero-rated or exempt from VAT.

Provisional Tax

A provisional taxpayer is a company or any person that earns income other than remuneration or an allowance/advance payable by the person's principal. It also includes any person who earns remuneration from an employer not registered for PAYE in South Africa.

Provisional tax payments (made twice per annum, with a voluntary third payment) represent tax on expected income.

For taxpayers with taxable income of less than R1 million, the second provisional payment must equal the lower of the "basic amount" (calculated with reference to the previously assessed income for the latest tax year) or 90% of actual taxable income. For taxpayers with taxable income of more than R1 million, an estimate that is equal to at least 80% of the taxable income for the year is required for the second provisional tax payment. A penalty will be levied if the estimate does not meet the required percentage of actual taxable income.

Donations Tax

Value of donation	Rate
R0 to R30 000 000	20% on the value of property donated
Exceeding R30 000 000	25% on the value of property donated

Exemptions include (among others): R100 000 per annum (individuals), donations between spouses, donations to approved PBOs and recreational clubs, donations by public companies and donations between South Africa resident group companies, etc.

Estate Duty

Value of estate	Rate
R0 to R30 000 000	20% of the dutiable amount of a deceased estate
Exceeding R30 000 000	25% of the dutiable amount of a deceased estate

Estate duty is levied on the dutiable amount of a deceased estate (property of residents and South African property of non-residents). Deductions include a standard deduction of R3.5 million per estate (R7 million for a married couple) and certain other deductions, the most important of which is the deduction for property accruing to a surviving spouse.

Transfer Duty

Paid on acquisition of immovable property where the transaction is not subject to VAT. Transfer duty is also payable on the acquisition of residential property through an interest in a company or trust. The rates of duty are as follows:

Value of property	Rate
R1 to R1 000 000	0% of property value
R1 000 001 to R1 375 000	3% of property value above R1 000 000
R1 375 001 to R1 925 000	R11 250 + 6% of property value above R1 375 000
R1 925 001 to R2 475 000	R44 250 + 8% of property value above R1 925 000
R2 475 001 to R11 000 000	R88 250 + 11% of property value above R2 475 000
R11 000 001 and above	R1 026 000 + 13% of property value exceeding R11 000 000

Securities Transfer Tax (STT)

STT is a tax levied on the transfer or cancellation of any listed and unlisted security. The STT rate is 0.25%.

Tax on International Air Travel

An amount of R190 is imposed per passenger departing on international flights, excluding flights to Botswana, Namibia, Lesotho and eSwatini, in which case the tax imposed is R100 per passenger.

Carbon Tax

The budget announced an increase in the carbon tax rate from R127 to R134/ tCO2e (effective from 1 January 2021) on taxable Greenhouse Gas ("GHG") emissions. The increase will also reflect as an additional 1c/litre in the fuel levy (effective from 7 April 2021) bringing the total carbon tax related fuel levy to 8c/litre petrol and 9c/litre diesel.

Exchange Control

During the 2020 budget it was announced that a modernisation of the current foreign exchange system will be phased in over the following twelve months. It was envisaged that by end February 2021 a system would be in place where all transactions will be permissible except for a risk-based list of capital flow measures which will mainly affect legal entities.

Progress appeared to have been slow as during 2020, the only change related to the lifting of the loop threshold from 40% to 100% for both companies and individuals.

The February 2021 budget reaffirmed that National Treasury and the Reserve Bank continue to work and develop a new legislative framework for the capital flow management system.

A set of Capital Flow Management Regulations will be issued during the current year and the entire system is expected to be completed by the end of 2021.

The risk-based list of capital flow measures proposed in the 2020 budget and which should be finalised during the current year will include:

- South African corporates will not be allowed to shift their primary domicile except under exceptional circumstances and as approved by the Minister
- Approval conditions for corporates with a primary listing offshore will be aligned to current foreign direct investment criteria
- Export of intellectual property for fair value to non-related parties will not be subject to approval

The above list is not exhaustive.

The following has also been proposed for individuals:

- Transfers in excess of R10 million will result in a more stringent verification process by SARS. There will be no limits on individuals externalising funds provided the necessary tax clearance has been obtained
- Natural person residents and natural person emigrants will be treated identically, and the current exchange control emigration concept will be phased out and be replaced by a SARS verification process. It is expected that this will be implemented before 1 March 2021.

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