



# B-Wise

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## BUDGET TAX PROPOSALS 2014

### TAX TABLE & RATES

The proposed new tax table provides for some relief against inflation:

Individuals and special trusts	
Taxable Income (R)	Rate of Tax (R)
0 – 174 550	18% of each R1
174 551 – 272 700	31 419 + 25% of the amount above 174 550
272 701 – 377 450	55 957 + 30% of the amount above 272 700
377 451 – 528 000	87 382 + 35% of the amount above 377 450
528 001 – 673 100	140 074 + 38% of the amount above 528 000
673 101 and above	195 212 + 40% of the amount above 673 100

The primary rebate increases to R12 726 and the secondary rebate for taxpayers older than 65 to R7 110. The third rebate for taxpayers older than 75 is also increased to R2 367. This means that the tax thresholds are:

People younger than 65	R70 700
People between 65 en 75	R110 200
People older than 75	R123 350

The tax rate of companies remains at 28% and those of trusts other than special trusts at 40%. A slight change to the first bracket for small business corporations were made with no change to the turnover tax rates for micro businesses. The proposal of the Davis Commission on the tax rates of small and micro business will however be implemented after consultation.

### TAXATION OF INTEREST

Interest rate exemptions remain at R23 800 and R34 500 respectively. The tax-preferred savings account will proceed with annual contributions limited to R30,000. The account, provided by banks, asset managers, life insurers & brokerages, will allow investments into bank deposits, collective investments schemes, ETF's & retail savings bonds. Interest, dividends and CGT in the account will be tax exempt.

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## TAXATION OF DIVIDENDS

Dividend tax remains at a level of 15% paid by the taxpayer, but withheld by the company or agent. The effective rate on foreign dividends remains at a maximum of 15%.

## CAPITAL GAINS TAX

CGT inclusion rates remains fixed at 33.3% for individuals and special trusts and 66.6% for trusts and companies. The maximum CGT rate for individuals and special trusts is therefore 13.3%, for companies 18.6% and for other trusts the effective tax rate is 26.7%.

No CGT exemptions were increased:

- Annual exclusion is R30,000
- Exclusion upon death is R300,000
- Primary residence exclusion is R2m
- Exclusion on small business disposal is R1.8m for business owners older than 55.
- The maximum market value of assets allowed for a small business disposal for business owners over 55 is R10m.

## MEDICAL TAX CREDITS

The medical tax credit for the first two beneficiaries increases to R257 per month per beneficiary and R172 per month per additional beneficiary. The amount of the additional medical expenses tax credit will be:

- a) where the person is older than 65 or where the person, his or her spouse or his or her child is a person with a disability, the aggregate of 33,3% of so much of the amount of the fees paid by the person to a medical scheme as exceeds three times the amount of the medical scheme fees tax credit to which that person is entitled plus 33,3% of the amount of qualifying medical expenses paid by the person; or in any other case;
- b) 25% of so much of the aggregate of the amount of the fees paid by the person to a medical scheme as exceeds four times the amount of the medical scheme fees tax credit to which that person is entitled plus the amount of qualifying medical expenses paid by the person, as exceeds 7,5% of the person's taxable income (excluding any retirement fund lump sum benefit, retirement fund lump sum withdrawal benefit and severance benefit).

## DUTIES & LEVIES

Excise duties are increased as follows:

- Beer – increases by R1.17 per can to a total of R68.92 per litre
- Spirits – increases by R4.76 per bottle to a total of R137.54 per litre
- Cigarettes - increases by 68c per packet of 20 to a total of R11.60
- Fuel levy – increased by 12c to 224.50c
- RAF levy – increased by 8c to 104c

## OTHER CHANGES

Carbon tax is postponed to 2016.

## RETIREMENT FUND CONTRIBUTIONS & LUMP SUM TAXATION

As from the 1<sup>st</sup> of March 2015 contributions by employees and employers to pension, provident and retirement funds will be tax deductible by individual taxpayers, while the employer contribution will be a corresponding fringe benefit. Deductions will be limited to 27.5% of the higher of employment or taxable income. Annual deductions will be limited to R350 000.

Pre-retirement lump sum taxation	
Taxable Income (R)	Rate of Tax (R)
0 – 25 000	0%
25 001 – 660 000	18% of the amount above 25 000
660 001 – 990 000	114 300 + 27% of the amount above 660 000
990 001 and above	203 400 + 36% of the amount above 673 100

Retirement lump sum taxation	
Taxable Income (R)	Rate of Tax (R)
0 – 500 000	0%
500 001 – 700 000	18% of the amount above 500 000
700 001 – 1 050 000	36 000 + 27% of the amount above 700 000
1 050 001 and above	130 500 + 36% of the amount above 1 050 000

Regards

**Ronald N King**