



FINANCIAL & TAXATION DIRECTORY
2010/2011





LOGISTA OFFICES

CAPE TOWN

Cabernet House West
Brandwacht Office Park
Trumali Road
STELLENBOSCH
7600

PO Box 12084
DIE BOORD
7613

Tel: (021) 886-6225
Fax: (021) 887-4107

E-mail: mail@logistastb.co.za

JOHANNESBURG

30 Waterford Office Park
Cnr Waterford Drive & Witkoppen Avenue
FOURWAYS
2011

PO Box 2912
RANDBURG
2125

Tel: (011) 875-6000
Fax: (011) 658-1212

E-mail: info@lucro.co.za

PRETORIA

101 Brooklyn Forum
263 Lynnwood Road
BROOKLYN
0081

PO Box 11275
HATFIELD
0028

Tel: (012) 362-1431
Fax: (012) 362-1429

E-mail: info@logista.co.za

CONTENTS

South African Taxation

Highlights of the 2010/2011 Budget	2 - 3
Calculation of Tax Payable	4
Tax Rates: Individuals and Trusts	5
Tax Rates: Corporates	6
Comparison of 2011 vs 2010 Taxes Payable	7
Residence and Source of Income	8
Individuals	10
Exempt Income	11
Foreign Employment	11
Death during the course of employment	12
Deductions	12 - 14
Share Incentive Schemes	15
Fringe Benefits	15 - 23
Provisional Tax	23 - 24
Employee's Tax (PAYE)	25
Standard Income Tax on Employees (SITE)	25
Lump Sum Payments	26 - 28
Trusts	28
Companies and Close Corporations	29 - 33
Capital Allowances	34 - 37
Foreign Exchange Profits and Losses	37
Trading Stock	38
Capital Gains Tax	38 - 46
Disposal of Shares - 3 year rule	46
Taxation of Foreign Dividends	46
Broad-Based Black Economic Empowerment	47 - 48
Tax Exempt Entities	48 - 50
Value-Added Tax	50- 51
Government Incentives	52 - 54
Estate Duty	54 - 55
Donations Tax	55 - 56
Securities Transfer Tax	56
Stamp Duty: Leases of Immovable Property	56 - 57
Transfer Duty on Immovable Property	57
Skills Development Act	57
Exchange Control	58 - 62
Regional Comparison of Taxes	63
Namibia	64 - 65
Botswana	66 - 68
Mozambique	69 - 70
Retention of Records	71-72
Tax Timetable	73
Prime Bank Overdraft Rates	74
Comparative Rates	75 - 76

BUDGET HIGHLIGHTS 2010/2011

The contents of this publication incorporate the budget proposals tabled in Parliament on 17 February 2010 together with appropriate amending legislation to that date. Applicable laws, rules, proposals, practices and regulations often change and have varying implementation dates. Furthermore, the information provided is only intended to serve as a general guideline and professional advice should be sought before making any decision.

Salient features of the budget proposals are summarised below for ease of reference.

Personal Income Tax Rates

The minimum tax threshold increases from R54 200 to R57 000 for persons under the age of 65. For persons aged 65 and over the tax threshold increases from R84 200 to R88 528.

The primary rebate increases from R9 756 to R10 260. The secondary rebate for individuals aged 65 and over increases from R5 400 to R5 675.

The maximum marginal tax rate at 40% is applicable to taxable income above R552 000 (previously R525 000).

Interest and Dividend Income Exemption

The domestic interest exemption is increased from R21 000 to R22 300 for taxpayers aged under 65 and from R30 000 to R32 000 for taxpayers aged 65 and over.

The foreign interest and foreign dividend exemption, if otherwise not exempt, is increased from R3 500 to R3 700. The domestic exemption is reduced by the utilised portion of this exemption.

Provisional Tax

The threshold for provisional tax exemption remains at R120 000 for individuals 65 years and older whose income consists exclusively of remuneration, interest, dividends and/or rent from fixed property.

Medical Expenses

Taxpayers aged 65 years and older continue to enjoy a full deduction for all medical expenses.

BUDGET HIGHLIGHTS 2010/2011 (continued)

Taxpayers under 65 years of age are subject to a monetary cap relating to the deduction of monthly contributions to medical schemes. This cap has been increased from R625 to R670 for a taxpayer and his or her first dependant and from R380 to R410 for each additional dependant. The proposed conversion of this deduction to a non-refundable tax credit system will be postponed to 1 March 2012.

Capital Gains Tax

The annual capital gain/loss exclusion for individuals and special trusts remains at R17 500.

Valued Added Tax (VAT)

The deregistration, pooling, residential accommodation and certain intra-group rules will be refined.

Retrenchment Package Merger

The R30 000 income tax exemption upon retirement will be merged with the retirement lump sum.

Discontinuation of the SITE system

The standard income tax on employees system (SITE) relating to low income earners will be discontinued with effect from 1 March 2011.

Amnesty

A voluntary disclosure programme will be instituted from 1 November 2010 to 31 October 2011 in order for taxpayers to regularise their affairs. Taxpayers may escape penalties but the full amount of tax will remain due.

Fringe Benefits

Further measures will be introduced to limit tax avoidance through salary structuring. These measures will include an increase in the taxable value of company cars and will address concerns relating to deferred compensation and insurance schemes.

Gateway into Africa

Relief from exchange control and taxation for various types of headquarter companies located in South Africa will be considered.

THE CALCULATION OF TAX PAYABLE - INDIVIDUALS

Gross Income	.....
Less: Exempt Income (see page <u>11</u>)	=====
Income	.....
Less: Deductions (see pages <u>12 - 14</u>)	-----
Add: 25% of Capital Gain (see pages <u>39 - 46</u>)	.....
Less: S 18A Donation deduction (see page <u>13</u>)	=====
Less: S 18 Medical expenses (see pages <u>12 - 13</u>)	=====
TAXABLE INCOME	=====
TAX per Tables (see page <u>5</u>)	.....
Less: REBATES (see page <u>6</u>)	=====
NORMAL TAX PAYABLE	=====
Less: Provisional tax paid (see pages <u>23 - 24</u>)	=====
Foreign tax credit (see page <u>37</u>)	=====
PAYE/SITE paid (see page <u>25</u>)	=====
TAX DUE	=====

TAX RATES: INDIVIDUALS AND TRUSTS

YEAR ENDED 28 FEBRUARY

INDIVIDUALS

Rebates	2009	2010	2011
Primary Rebate	R8 280	R9 756	R10 260
Age Rebate * – 65 and over	R5 040	R5 400	R5 675
* Additional to primary rebate			

Tax Threshold

Under 65	R46 000	R54 200	R57 000
65 and over	R74 000	R84 200	R88 528

INDIVIDUALS AND SPECIAL TRUSTS

Taxable Income	2011	Tax Liability
R	R	
0 – 140 000		18% of each R1
140 001 - 221 000	25 200 + 25% of the amount over 140 000	
221 001 - 305 000	45 450 + 30% of the amount over 221 000	
305 001 - 431 000	70 650 + 35% of the amount over 305 000	
431 001- 552 000	114 750 + 38% of the amount over 431 000	
552 001 and above	160 730 + 40% of the amount over 552 000	

Taxable Income	2010	Tax Liability
R	R	
0 – 132 000		18% of each R1
132 001 - 210 000	23 760 + 25% of the amount over 132 000	
210 001 - 290 000	43 260 + 30% of the amount over 210 000	
290 001 - 410 000	67 260 + 35% of the amount over 290 000	
410 001 - 525 000	109 260 + 38% of the amount over 410 000	
525 001 and above	152 960 + 40% of the amount over 525 000	

TRUSTS (Other than Special Trusts)

Taxable Income	Rate of Tax
2011	40%
2010	40%

TAX RATES: CORPORATES

YEAR OF ASSESSMENT ENDING BETWEEN
1 APRIL 2010 - 31 MARCH 2011

COMPANIES AND CLOSE CORPORATIONS

Taxable Income (R)	Rate of Tax (%)
Small Business Corporations	
0 - 57 000	0%
57 001 - 300 000	10% of taxable income above R57 000
300 001 and over	24 300 + 28% of taxable income above R300 000
Micro Businesses	
Qualifying businesses with a turnover of up to R1 million may elect to be taxed upon qualifying turnover. See page 29 for table of rates.	
Companies and Close Corporations other than certain gold mining companies and special entities referred to on this page	28%
Public Benefit Organisations and Recreational Clubs (on non-exempt income)	28%
Personal Service Providers, Companies and Close Corporations	33%
Secondary Tax on Companies	
STC on deemed and declared dividends	10%
STC is to be replaced with a 10% dividend tax at shareholder level. Legislation expected to become effective during 2010. Proposed legislation includes anti-avoidance rules which tax certain passive holding companies at 40% and impose a value extraction tax on certain deemed distributions.	
Local Branch of Foreign Company	
Normal tax rate	33%
STC	Exempt
Long-term Insurers	
Individual policyholder fund	30%
Company policyholder and Corporate fund	28%
Untaxed policyholder fund	0%

SAVING IN TAX: 2011 VS 2010

Comparison between 2011 and 2010 Taxes Payable

Individuals Under 65 Years

Taxable Income	Tax Payable 2011	Tax Payable 2010	Tax Saving	Percentage Reduction
R	R	R	R	%
57 000	0	504	504	100.0%
60 000	540	1 044	504	48.3%
70 000	2 340	2 844	504	17.7%
80 000	4 140	4 644	504	10.9%
90 000	5 940	6 444	504	7.8%
100 000	7 740	8 244	504	6.1%
120 000	11 340	11 844	504	4.3%
200 000	29 940	31 004	1 064	3.4%
300 000	58 890	61 004	2 114	3.5%
400 000	93 640	96 004	2 364	2.5%
500 000	130 710	133 704	2 994	2.2%
750 000	229 670	233 204	3 534	1.5%
1 000 000	329 670	333 204	3 534	1.1%

Individuals 65 Years and Over

Taxable Income	Tax Payable 2011	Tax Payable 2010	Tax Saving	Percentage Reduction
R	R	R	R	%
85 000	0	144	144	100.0%
90 000	265	1 044	779	74.6%
100 000	2 065	2 844	779	27.4%
200 000	24 265	25 604	1 339	5.2%
300 000	53 215	55 604	2 389	4.3%
400 000	87 965	90 604	2 639	2.9%
500 000	125 035	128 304	3 269	2.5%
750 000	223 995	227 804	3 809	1.7%
1 000 000	323 995	327 804	3 809	1.2%

RESIDENCE AND SOURCE OF INCOME

South African residents are taxed on their world-wide income, whilst non-residents are subject to tax on their South African sourced income (subject to specific exclusions, exemptions or deductions as well as the provisions of any applicable Double Taxation Agreement).

Definition of Resident

Individuals

A natural person is a resident if:

- he or she is ordinarily resident in South Africa; or
- is not ordinarily resident in South Africa but:
 - 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 5 years of assessment; and
 - was physically present in South Africa for a period exceeding 915 days in aggregate during the previous 5 years of assessment;
 - that person will be a resident with effect from the first day of that relevant year of assessment.

Where a person falls within the above physical presence tests, but has been outside of South Africa for a continuous period of at least 330 full days after ceasing to be physically present in South Africa, then he or she will be deemed to be non-resident from the time of departure.

Furthermore, a person will not be regarded to be a resident if such person is deemed to be exclusively a resident of another country for purpose of application of a double taxation treaty.

Companies or Entities other than Individuals

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

Foreign Branches of South African Residents

The taxable income of a foreign branch belonging to a local resident, person or entity will also be subject to South African income tax.

Losses in foreign branches cannot be offset against income from a South African source and must be carried forward for offset against foreign sourced income in the following years.

Controlled Foreign Companies (CFC)

A Controlled Foreign Company (CFC) means any foreign company where 50% or more of the total participation rights in that foreign company are held or more than 50% of the voting rights in that foreign company are directly or indirectly exercisable by one or more residents.

A CFC's income is imputed to South African residents at the same ratio as the participation rights of each resident in such CFC, subject to a number of exclusions.

The taxable income of a CFC is determined as if the CFC was a South African taxpayer.

Foreign Tax Credits

A resident may deduct the foreign taxes paid in respect of foreign income from his tax payable in South Africa, subject to certain limitations. Any excess credits may be carried forward for 7 years. Alternatively, relief may be claimed if a Double Taxation Treaty applies.

Non-Residents

As stated above, non-residents are taxed on their South African sourced income subject to a number of exceptions and the provisions of various double taxation agreements.

There are currently 71 comprehensive treaties in force and numerous other treaties are at various stages of finalisation. Some of the more important principles relating to South African sourced income earned by non-residents are as follows:

- The profits of local branches of foreign subsidiaries are taxed at a rate of 33%, but no dividend or similar tax is payable on the repatriation of branch profits.
- There are comprehensive transfer pricing and thin capitalisation rules applicable to transactions between local entities and non-resident related parties.
- Interest earned by non-residents is exempt unless a non-resident has a permanent establishment in South Africa or is present in South Africa for more than 183 days.
- Royalty payments to non-residents are subject to a withholding tax of 12%.
- Dividends paid to non-residents will be subject to a 10% withholding tax upon the introduction of a dividend tax.

- The disposal of immovable property by a non-resident is subject to withholding tax, subject to certain exceptions.

TAXATION OF INDIVIDUALS

Subject to the provisions of any particular Double Taxation Treaty, South African resident individuals are taxed upon their worldwide income whilst non-resident individuals are subject to tax on income earned from a South African source (actual or deemed). There is one set of income tax tables for all individuals, regardless of marital status or number of dependants. Tax payable is reduced by a primary rebate applicable to all individuals plus a secondary, age related, rebate.

Married People

Married people are generally taxed as separate taxpayers and each spouse is taxed on his or her own income. Exceptions to this rule include:

Any income which is received by or accrued to a spouse in consequence of a donation, settlement or disposition by the other spouse is deemed to be income of the spouse who made such donation/settlement/disposition if done solely or mainly to avoid tax.

Any income derived by one spouse from the other spouse or a partnership or private company of the other spouse, or derived from a trade which is connected to the trade carried on by the other spouse, is taxed in the hands of the other spouse to the extent that the amount of income is excessive in the circumstances.

If a couple is married in community of property, the net property rentals and/or interest income received by them is deemed to accrue in equal shares to each spouse. Any income which does not fall into their joint estate is taxed in the hands of the spouse entitled thereto. Similar principles apply in respect of capital gains and losses made by persons married in community of property.

Minor Children

Minor children may be taxpayers in their own right and are taxed on income received by or accrued to them. Where the income arises as a result of the child's parent having made a donation or transferring income to the child, the resultant income will be taxed in the parent's hands.

EXEMPT INCOME

The following income is exempt from income tax in the hands of individuals:

- Qualifying pensions received by or accrued to a resident from any source outside South Africa subject to certain exclusions;
- The capital portion of a purchased annuity;
- Remuneration received from services rendered outside the Republic, for longer than 183 days, provided the period of absence includes at least 60 continuous days. This exemption is subject to certain exclusions;
- War and certain disability pensions;
- All dividends received (except for dividends distributed by property trusts and specified foreign dividends);
- Interest earned by individuals, up to a maximum of R22 300 per tax year (R32 000 for persons aged 65 years and over). Only R3 700 of this exemption is allowed against foreign interest and foreign dividends and this applies first to foreign dividends and then to foreign interest;
- Interest earned by non-residents who are absent from South Africa for 183 days or more per annum and who are not carrying on business through a permanent establishment in South Africa;
- UIF and Workmen's Compensation benefits; and
- An amount to a maximum of R30 000 received on termination of employment subject to:
 - . the taxpayer having attained 55 years of age; or
 - . termination of employment being the result of ill health or superannuation; or termination of services resulting from the employer ceasing to carry on trade, or the taxpayer becoming redundant as a consequence of a general reduction of personnel. This exemption is not available if the taxpayer was at any time a director of the company or held more than 5% of the shares in the company (see section 10(1)(x)).
Note: this exemption is to be reviewed.
- Limited exemption of lump sums received from pension, provident or retirement annuity funds.

Foreign Employment

Employees who are residents of South Africa are, in the absence of an exemption, subject to tax on remuneration earned whilst they render services abroad.

Employees are exempt from tax on remuneration earned for services rendered outside South Africa, but only if an employee is outside South Africa for more than 183 days and is absent for at least one continuous period of 60 days, during a 12 month cycle.

Other remuneration items that relate to foreign employment may also qualify for this exemption, for example, bonuses, leave pay or the relevant portion of certain share options.

Death During the Course of Employment

Compensation paid on the death of an employee out of and in the course of employment is exempt. The exemption is however limited to R300 000 less any utilised portion of the R30 000 exemption applicable to the termination of services.

DEDUCTIONS

Medical and Disability Expenses

Medical Expenditure

Qualifying medical expenditure includes:

- any contributions to a medical scheme made in respect of the taxpayer and his/her spouse and dependants; and
- all amounts paid in respect of medical, dental and hospitalisation expenses, payments to pharmacists for medicines obtained on prescription and payments to nursing homes or a registered nurse/midwife for services supplied to the taxpayer, his/her spouse, and his/her children.

Qualifying medical expenses do not include expenses that have been recovered from a medical scheme.

Only the person who paid an expense may claim it. Payments by an employer which are treated as taxable benefits are, however, deemed to have been paid by the employee.

Deductions allowable are as follows:

- In the case of taxpayers aged 65 years and over:
 - . There is no limit on the amount of qualifying medical expenditure that may be claimed as a deduction.
- In the case of taxpayers under the age of 65, The deduction is split into two parts:
 - . Basic deduction for medical aid contributions:
 - . R670 per month if the contribution is solely for the benefit of a taxpayer;
 - . R1 340 per month if the contributions are for the benefit of a taxpayer and one dependant;

- If a taxpayer has more than one dependant then the limit is increased by R410 for each additional dependant, e.g., if the contributions the taxpayer makes to the fund are in respect of the taxpayer and 3 dependants, the deduction is R2 160 per month (R1 340 + R410 x 2).
- Deduction of other medical expenses:
 - The balance of the medical aid contributions exceeding the basic deduction and all other qualifying medical expenditure paid by the taxpayer, and not recovered from the medical aid are deductible to the extent that they exceed 7.5% of the taxpayer's taxable income (before medical deductions).

Certain employees and ex-employees will continue to enjoy a tax free benefit on employer contributions to benefit funds, for example, taxpayers who have attained the age of 65 or have retired due to super annuation, ill health or other infirmity. Such expenditure cannot however be claimed as a deduction by these employees.

Disability

If a taxpayer, or his or her spouse or child is disabled, all qualifying medical expenses paid by the taxpayer, i.e., not only those paid in respect of the disabled person, and all qualifying expenses relating to a disability, may be claimed.

Entertainment

Such expenditure may not be claimed against employment income where such income is mainly fixed.

Donations to Public Benefit Organisations

Donations to qualifying Public Benefit Organisations (PBOs) are deductible up to a maximum calculated at 10% of taxable income before deducting medical expenses. A specific mechanism allows for payroll giving whereby an employee may enjoy a reduction of PAYE withheld as a consequence of making eligible donations.

Home Study Expenses

A deduction for home study costs will only be allowed if:

- a study is regularly and exclusively used for the purpose of the taxpayer's trade and is specifically equipped for such purpose; and
- in the case of an employee who derives income mainly from commission, his duties are mainly performed other than in an office provided by the employer; and

- in the case of other employees, his duties are mainly performed in the home study.

Contributions to Pension, Retirement Annuity and Provident Funds

Pension Funds

Any person may claim a deduction of his current contributions to a pension fund. The deduction is limited to the greater of:

- R1 750; or
- 7,5% of his remuneration derived from retirement funding employment.

Any excess may not be carried forward to the following year of assessment.

A maximum deduction of R1 800 per annum is allowable for arrear contributions to a pension fund. Any excess over R1 800 may be carried forward to the following year of assessment.

Retirement Annuity Funds

A taxpayer may claim his current contributions and his employer's contributions to a retirement annuity fund as a deduction, which is limited to the greater of:

- (i) 15% of income from non-retirement funding employment, excluding specified income (e.g., lump sums received from retirement funds on or after 1 October 2007);
- (ii) R3 500 less any deduction for current contributions to a pension fund; or
- (iii) R1 750.

Any excess may be carried forward to the following year of assessment.

The maximum deduction of arrear contributions to a retirement annuity fund is R1 800 per annum. Any excess over R1 800 may be carried forward to the following year of assessment.

Provident Funds

Contributions to approved provident and benefit funds are not allowable as a deduction from an individual's income.

SHARE INCENTIVE SCHEMES

Employees and directors are subject to tax on gains derived from rights that they obtain in terms of a share incentive scheme. Rights obtained prior to 26 October 2004 are governed by section 8A. Rights obtained on or after 26 October 2004 are governed by section 8C. Broad-based share incentive schemes are governed by section 8B (see page 47).

The salient features of section 8C are as follows:

- Employees are subject to tax on any share, share option, convertible instrument or contractual right referenced to shares which are awarded by an employer. The tax will become payable on the vesting date (see below);
- The amount subject to tax is the difference between the amount paid by the employee to acquire the equity instrument and its market value on the vesting date;
- The date of vesting depends on whether the instrument is restricted or unrestricted.
- Unrestricted instruments trigger a taxable event when acquired whereas restricted instruments trigger such an event once the restrictions cease; and
- The amount of any gain determined on the vesting of an equity instrument is taxed as income and will be subject to employees' tax.

THE TAXATION OF FRINGE BENEFITS

Fringe benefits arising from employment are taxed as follows:

Residential accommodation for foreigners working in the Republic

A taxable fringe benefit will arise if an employer provides residential accommodation to a foreign employee working in South Africa subject to the following relief available to expatriates.

The foreign employee will be exempt from fringe benefits tax on residential accommodation for a maximum period of two years from the date of his arrival in the Republic. The residential accommodation must be provided for the purpose of performing the duties of employment.

This concession is limited to R25 000 per month. Where the value of the benefit exceeds R25 000 per month, the fringe benefit is determined by taking the greater of the residential accommodation formula or actual costs less the R25 000 exemption. If an employee is in the Republic for less than 90 days the cap will not apply.

An anti-avoidance rule prevents any arrangement to roll over the two year period to accommodate longer stays. Any fringe benefits will be taxed if a foreign employee was present in the Republic for a period exceeding 90 days during the year of assessment immediately preceding the date of arrival.

Bursaries

Bona fide bursaries or scholarships granted by an employer to an employee or employee's relative will be exempt in the hands of the employee. However, this exemption will not apply if:

- the employee does not agree to reimburse the employer if the employee fails to complete the studies; or
- the bursary is granted to an employee's relative and the employee earns more than R100 000 per annum in which case the exemption is limited to R10 000 per annum.

Acquisition of Asset at less than actual value

A taxable benefit arises whenever an asset (other than money) has been acquired by an employee from:

- his employer; or
- an associated institution; or
- any other person by arrangement with his employer.

The taxable benefit is the difference between the market value of the asset and the consideration given by the employee.

VAT on certain fringe benefits is payable by the employer on this difference at a rate of 14/114.

The first R5 000 of an asset awarded is exempt if it comprises:

- a bravery award; or
- a long service award (unbroken period of service of 15 years or any subsequent unbroken period of 10 years).

Travel Allowances

Use of Employee's own vehicle

If an employee uses his own motor vehicle for business purposes and receives an allowance from his employer to defray expenditure, the allowance is tax-free to the extent that it is expended for business purposes. With effect from 1 March 2010, employees no longer have the option of using deemed business distances and must maintain accurate data in order to claim business travel against an allowance. (Prior to 1 March 2010 travel from 18 001 - 32 000 kilometers was deemed to be for business purposes).

Either actual or deemed costs relating to actual business travel may be claimed. Deemed costs are determined based on the value of the vehicle as per the table below. The value of the vehicle is essentially the purchase price including VAT, but excluding finance charges. Private travelling includes travelling between the employee's place of residence and his place of employment.

Where business travel is 8 000 kilometers or less for a year of assessment, an employee may receive a reimbursement of up to 292 cents per kilometer on a tax-free basis, provided that no other allowance or reimbursement is received by the employee in respect of the vehicle.

For PAYE purposes, 80% of the monthly travel allowance is regarded as remuneration and is subject to PAYE.

The following methods may therefore be applied in determining business travel deductions against travel allowances received:

- a taxpayer may furnish accurate data and deduct actual costs relating to business travel. Finance charges and wear and tear are, however, limited where a vehicle costs more than R400 000 and lease deductions are limited to the deemed fixed cost below; or
- a taxpayer may use actual business kilometers which are applied to deemed costs. To this end, a log book should be maintained.

Deemed costs are determined according to the following table which was last revised on 1 March 2008:

Value of the Vehicle (including VAT) R	Fixed Cost R	Fuel Cost c	Maintenance Cost c
0 - 40 000	14 672	58.6	21.7
40 001 - 80 000	29 106	58.6	21.7
80 001 - 120 000	39 928	62.5	24.2
120 001 - 160 000	50 749	68.6	28.0
160 001 - 200 000	63 424	68.8	41.1
200 001 - 240 000	76 041	81.5	46.4
240 001 - 280 000	86 211	81.5	46.4
280 001 - 320 000	96 260	85.7	49.4
320 001 - 360 000	106 367	94.6	56.2
360 001 - 400 000	116 012	110.3	75.2
exceeding 400 000	116 012	110.3	75.2

The fixed cost is divided by total kilometers (pro-rated if the vehicle is not used for business purposes for the full year). The fixed cost per kilometer, fuel costs and maintenance costs are then added to arrive at a total rate per kilometer which is applied to the actual business kilometers travelled.

Right of Use of Employer provided Motor Vehicle(s)

A taxable benefit accrues where an employee is granted the right to use an employer provided motor vehicle free of charge or for a consideration less than the value of the private use of that vehicle.

The monthly taxable benefit for employer owned vehicles used by employees is 2.5% of the determined value of the vehicle. The taxable benefit of a second or subsequent vehicle granted by an employer to an employee or his family, where the vehicle is not used primarily for business purposes, is 4% of the determined value. These rates will be reviewed according to the latest budget proposals.

The 'determined value' of the vehicle is the original cash cost to the employer (excluding VAT) or the retail market value thereof in the case of a lease or donation. The determined value does not decrease in subsequent years. However, should the taxpayer not be the first employee to have use of the motor vehicle, and the taxpayer first obtains the right of the use of the vehicle more than 12 months after the employer acquired the vehicle, the determined value comprises the original value as determined above, depreciated by 15% per annum for each completed period of 12 months on the reducing balance method.

Where the employee:

- bears the cost of all fuel used for private purposes, the monthly percentage to be applied is reduced by 0.22%; or
- bears the full cost of maintaining the vehicle, the monthly percentage to be applied is reduced by 0.18%.

The taxable value of the fringe benefit may be reduced on assessment if the employee keeps a detailed logbook to prove that private kilometers travelled are less than 10 000km per annum.

The value of private use will not be reduced where the vehicle is temporarily not used by the employee for private purposes.

In the following cases, private use of a motor vehicle will not give rise to a taxable benefit:

- if the vehicle is available to, and used by, employees of the employer in general; the private use is of a casual nature or merely incidental to the business use; and the vehicle is not normally kept at or near the employee's home when not in use outside business hours (i.e., pool car); or

- if the nature of the employee's duties are such that he is regularly required to use the vehicle outside his normal hours of work and he is not permitted to use such vehicle for private purposes other than travelling between his place of residence and work, or private use which is infrequent or merely incidental to its business use.

Interest on Loans

The taxable benefit arising from interest-free or low interest loans granted to employees will be valued at the difference between the official interest rate and the interest (if any) payable by the employee.

The official interest rate is currently 8% (effective from 1 September 2009).

No benefit is placed on a casual loan to an employee up to R3 000 or a study loan to enable the employee to further his own studies.

Where an employee has utilised the loan to produce income, the interest taxed, as above, is deductible in terms of the general deduction formula.

Where a housing subsidy has been paid by an employer, then the full amount will be taxable in the hands of the employee.

Subsistence Allowance

Employees who are absent from their usual place of residence for the purpose of their duties for at least one night, are entitled to the following tax-free allowances:

- where the accommodation to which that allowance or advance relates is in South Africa, an amount equal to:
 - . R80 per day if the allowance/advance is paid to defray the cost of incidental subsistence expenses; or
 - . R260 per day if the allowance/advance is paid to defray the cost of meals and incidental subsistence expenses, i.e., beverages, room service, etc.; and
- a foreign subsistence allowance which varies from country to country.

These allowances only apply to continuous periods not exceeding 6 weeks away from home.

A comprehensive SARS list of foreign subsistence allowances may be viewed on our website at www.bdo.co.za/documents/subsistenceallowances.pdf.

Right of use of an Asset (other than Residential Accommodation or Motor Vehicles)

A taxable benefit arises whenever an employee is granted the right to use an asset for his private or domestic purposes, either free of charge or for a consideration which is lower than the value of use.

Exclusions:

- private use which is incidental to the use of the asset for purposes of the employer's business;
- amenities enjoyed at work or qualifying recreational facilities;
- equipment or machinery used by employees for private use for short periods of time and the value of the use is negligible;
- assets consisting of books, literature, recordings or works of art; or
- private use of cellular phones, laptops and related hardware and software which are mainly used for business purposes.

Residential Accommodation

If an employer or associated institution provides residential accommodation which is owned by the employer to an employee (in which property the employee does not have any interest), the employee will be taxed on the difference between the rental value for the year, as determined by the following formula, and the amount paid by him:

$$(A-B) \times \frac{C}{100} \times \frac{D}{12}$$

A = the remuneration of the employee in the preceding year of assessment, including directors fees, but excluding taxable benefits from the use of a motor vehicle or residential accommodation.

If the employee was with the current employer for only part of the preceding year, his salary is grossed up to that of a full year, but if he was with another employer in the previous year, 'A' will be his first month's salary divided by the number of days in that month and multiplied by 365.

B = R54 200 except for the following situations where it is nil:

- (i) where the employer is a private company controlled directly or indirectly by the employee or his spouse even if the employee is only one of the persons controlling the company; or

- (ii) where the employee or his spouse or minor child has an option or right of pre-emption granted by the employer or another person by arrangement with the employer whereby they may become the owner of the accommodation.

C = 17, or 18 if the accommodation consists of at least four rooms and is unfurnished and power or fuel is supplied by the employer, or furnished but no power or fuel supplied, and 19 if furnished and power or fuel is supplied.

D = the number of months the employee was entitled to occupation.

If an employer provides accommodation for an employee through the rental of property (irrespective of whether the employee has an interest in the property or not), or by the purchase of property in which the employee has an interest, the value of the benefit is the greater of an amount under the formula, or the total amount of the rentals payable for such accommodation by the employer and any other expenditure defrayed by the employer in respect of such accommodation.

A valuation based on the cost to an employer will not apply where:

- it is customary for the employer in the industry concerned to provide free or subsidised accommodation to employees;
- it is necessary for the employer to provide free or subsidised accommodation for the proper performance by employees of their duties, as a result of frequent movement of employees or lack of existing accommodation; and
- the benefit is provided at arms length and for *bona fide* business purposes.

Holiday Accommodation

If the accommodation is hired by the employer, the employee will be taxed on all costs borne by the employer (including meals, refreshments and services). In any other case, the employee will be taxed on an amount equal to the prevailing rate per day at which the accommodation could normally be let to a person who is not an employee.

Payment of Employee's Debts

A taxable benefit arises where an employer has paid an amount owing by the employee to a third party, without requiring reimbursement from the employee, or has released an employee from an obligation to pay an amount owing by the employee to the employer.

Professional subscriptions paid by the employer are, however, exempt if membership is a condition of employment.

Meals and Refreshments

An employee is taxed on the cost to the employer of any meal or refreshment provided by the employer, subject to the following exclusions:

- supplied in a canteen or dining room operated for employees;
- supplied during business hours, extended working hours or a special occasion; and
- enjoyed by an employee providing entertainment on behalf of the employer.

Free or Cheap Services

Services provided to an employee by his employer (whether they are rendered by the employer or some other person) for no cost or for an amount lower than the cost of such services to the employer, gives rise to a liability for tax to the employee on the difference between the cost to the employer of the service and the amount paid by the employee.

The following exclusions apply:

- certain circumstances where the employer is engaged in the business of conveying passengers;
- transport service conveying employees between their homes and work;
- services rendered by the employer to assist with better performance of employees' duties; and
- travel facilities granted to the spouse or minor children of an employee who is stationed more than 250km away from his usual place of residence for more than 6 months in a tax year.

Medical Aid Contributions

Direct or indirect contributions by an employer to a medical aid or other benefit fund are fully taxable with effect from 1 March 2010 subject to the exceptions discussed below.

No taxable fringe benefit arises in respect of contributions made by an employer to a medical aid scheme, where the employee is over 65 years of age or has retired by reason of superannuation, ill-health or other infirmity. Also, no fringe benefit arises in the hands of a dependant following the death of an employee or retired employee.

Other Exemptions

The following benefits are exempt from tax:

- the value of a uniform, or an allowance paid for that purpose, which an employee is required to wear while he is on duty, provided that the uniform is clearly distinguishable from ordinary clothing;
- the cost of the transfer of an employee to another place of employment arising out of the appointment or resignation of an employee at the insistence of the employer;
- if an employee purchases shares under a share incentive scheme and the transaction is cancelled or the shares are repurchased from the employee, the employee will not be taxed on the amount received in so far as it does not exceed the amount paid for the shares; and
- cell phones and computers used mainly for business.

Employer's Obligations

The determination of the cash equivalent of any taxable benefit is to be made by the employer although the Commissioner may adjust the cash equivalent if he is of the opinion that a determination is incorrect.

An employer is obliged to deduct PAYE on the value of the taxable fringe benefits.

PROVISIONAL TAX

Provisional payments are advance tax payments made in circumstances where an individual earns income which is not 'remuneration'. 'Remuneration' is a defined term and essentially covers employment and other income which is subject to PAYE.

The following individuals who derive income which is not remuneration are nevertheless exempt from provisional tax so long as the income or any part of the income is not derived from the carrying on of a business:

- Individuals under the age of 65 whose taxable income does not exceed the tax threshold, or whose taxable income from interest, dividends and rental from the letting of fixed property will not exceed R20 000; or
- Individuals who will be 65 on the last day of the year of assessment, whose taxable income will not exceed R120 000 for the year of assessment, where such income is derived from remuneration, interest, dividends and/or rental from the letting of fixed property.

Provisional Returns - Individuals

First Provisional Tax Return

Due within the first 6 months of the tax year - 31 August.

The first payment represents 50% of the tax due on the 'basic amount' less PAYE and foreign credits. The 'basic amount' is the taxable income per the most recent assessment, reduced by lump sums and capital gains. The 'basic amount' is escalated at 8% per annum when an assessment is more than a year in arrears. Consent is required to base one's calculations on an amount less than the 'basic amount'.

Second Provisional Tax Return

Due before the end of the tax year - 28 February.

Where taxable income is less than or equal to R1 million then the second provisional payment must be based upon an estimate of income which is not less than the lower of the 'basic amount' and 90% of actual taxable income, in order to avoid a 20% penalty.

Where taxable income exceeds R1 million, then an 80% level of accuracy is required between actual and estimated income for the current year, in order to avoid a 20% penalty. There is no fall-back on the historical 'basic amount' as above.

Third Provisional Tax Return

Should there be any remaining tax liability following the first and second provisional payments, then interest is charged, commencing 7 months after the tax year end for individuals.

Therefore, in order to avoid interest, individuals may make a 3rd voluntary top-up payment by 30 September of each year.

Interest is not, however, charged where an individual's taxable income does not exceed R50 000.

General

Interest and penalties paid are not deductible whereas interest earned on overpayments is taxable.

EMPLOYEES TAX (PAYE)

Employers are required to deduct employees' tax according to tax deduction tables supplied by SARS on all remuneration paid to employees unless otherwise instructed in terms of a tax deduction directive issued by SARS.

Directors of private companies, as well as members of close corporations, are subject to PAYE on the greater of their actual monthly remuneration or their 'deemed remuneration', unless they received at least 75% of their remuneration in the previous tax year in the form of fixed monthly payments of remuneration. In that case, such directors are taxed only on their actual remuneration.

STANDARD INCOME TAX ON EMPLOYEES (SITE)

SITE is a procedure through which the normal tax in respect of the first R60 000 of an employee's remuneration is finally determined by the employer.

SITE constitutes either a final or minimum liability and is thus not refundable, except in certain instances. The most important exclusions from the SITE system are:

- directors' remuneration;
- any travel allowance (although 80% is subject to PAYE);
- remuneration that may be set off against any assessed loss;
- remuneration from which the taxpayer is entitled to claim expenses of at least 1% of such remuneration;
- income from non-standard employment; and
- taxpayer's net remuneration for the year of assessment is less than the annual equivalent.

From an administrative point of view the SITE liability is only calculated at the end of a tax period, but tax deductions are made on a monthly basis in terms of the employee tax tables.

The SITE system will be discontinued with effect from 1 March 2011.

TAXATION OF LUMP SUM PAYMENTS

Certain lump sum payments received on termination of service qualify for taxation at the average rate of tax. The average rate of tax to be used in determining the tax liability on the lump sum will be the higher of the average rate of tax in respect of taxable income (excluding the lump sum) accrued in the current and preceding years of assessment. Lump sum payments received by a taxpayer from an employer by way of bonus, gratuity or compensation upon either reaching the age of 55, retirement due to superannuation, ill health or other infirmity are tax free to a maximum of R30 000 over the lifetime of the taxpayer.

Furthermore, all employees whose employment is terminated as a result of either the employer ceasing to operate or because of a general reduction of personnel, will qualify for the R30 000 tax free concession regardless of age. This exemption will however not apply to any present or past director of the employer company nor to any shareholder who holds or held more than 5% of a company's shares.

Lump sums paid by an employer as a result of the death of any person that arises out of and in the course of the employment of that person, may qualify for an exemption up to the amount of R300 000. This exemption is reduced by any portion of a lump sum that qualified for the R30 000 exemption, as mentioned in the prior paragraph.

Note: the R30 000 exemption is expected to be merged with the retirement fund benefits referred to below.

Lump sum benefits payable by approved funds are aggregated for tax purposes and subject to tax as detailed below.

On Retirement or Death

Pension Funds, Retirement Annuity Funds and Provident Funds

A maximum of one third of the taxpayer's entitlement from a pension or retirement annuity fund may be commuted to a lump sum.

With effect from 1 October 2008, the taxable portion of a lump sum from a pension, provident or retirement annuity fund as a result of death or retirement is calculated according to the following table, after deducting:

- previously disallowed contributions; and
- transfers to approved funds.

Retirement or Death

Lump Sum	Tax Liability
0 - R300 000	0%
R300 001 – R600 000	18% x taxable amount exceeding R300 000
R600 001 - R900 000	R54 000 + 27% x taxable amount exceeding R600 000
R900 001 and above	R135 000 + 36% x taxable amount exceeding R900 000

On Withdrawal from the Fund

With effect from 1 March 2009, the exempt portions, upon withdrawal, will be as follows:

Pension Funds

The tax-free portion will be R22 500, plus any amount paid into any approved pension fund or retirement annuity fund.

Retirement Annuity Funds

The amount transferred into another retirement annuity fund will be tax exempt. In the case of withdrawal on emigration, the tax-free portion will be R22 500.

Provident Funds

The tax-free portion will be R22 500, plus any amount paid into any approved pension, provident or retirement annuity fund.

The taxable portion of a lump sum upon withdrawal from a fund will be taxed separately from other taxable income, with effect from 1 March 2009. The rates are as follows:

Lump Sum	Tax Liability
R0 - R22 500	0%
R22 501 - R600 000	18% of the amount exceeding R22 500
R600 001 – R900 000	R103 950 + 27% of the amount exceeding R600 000
R900 001 and above	R184 950 + 36% of the amount exceeding R900 000

In all cases, the tax-free portions from either a pension, provident or retirement annuity fund will not be less than the lesser of the lump sum benefit or any contributions made to the fund by the member which were not previously allowed as deductions.

The retirement and death table and withdrawal table must be viewed cumulatively taking into account previous retirement and withdrawal benefits for purposes of applying the tables.

TRUSTS

Trusts are separate fiscal entities and pay tax at a flat rate of 40% on income retained by a trust and not awarded to beneficiaries. Trusts do not qualify for the annual interest exemption nor the primary rebate.

Trusts pay Capital Gains Tax (CGT) on 50% of capital gains giving rise to an effective CGT rate of 20% (40% x 50%).

Various anti-avoidance provisions exist to combat the use of trusts for income splitting and tax avoidance structures. These provisions work predominantly on a basis whereby any income earned by the trust as a result of a donation, settlement, or disposition made by a person ('the donor'), which is not distributed, is deemed to be the income of that donor and taxed in his or her hands.

Also, if income is distributed to beneficiaries who are minor children of the donor, the income is taxed in the hands of the donor. Similar provisions exist in respect of capital gains made by or accrued to a trust.

Trusts play an important part in estate planning and if properly structured, managed and controlled can act as a significant shelter against future estate duties. With the introduction of CGT, the effectiveness of the use of trusts in estate planning has been somewhat reduced.

The legislation allows for a 'special trust' to be taxed at the normal income tax rates applicable to individuals and not the 40% flat rate. A 'special trust' is a trust that is created:

- solely for the benefit of a person who suffers from a mental illness or a serious physical disability, where that person is incapacitated from earning sufficient income or from managing his or her own financial affairs; or
- in terms of the will of a deceased person, where all the beneficiaries are surviving relatives of the deceased, the youngest of whom must be under the age of 21 at the end of the tax year.

COMPANIES AND CLOSE CORPORATIONS

Normal Taxation

Close corporations and companies, other than certain gold mines and under the special circumstances described below, are taxed at a rate of 28%. A secondary tax on companies (STC) is levied on corporate entities upon declaration of dividends or deemed dividends (see page 32).

Branches of foreign companies conducting business in South Africa through a permanent establishment are taxed at 33%.

Small Business Corporations (see definition below) are taxed at the following rates:

Taxable Income	Tax Liability
not exceeding R57 000	0%
R57 001 - R300 000	10% of the amount by which the taxable income exceeds R57 000
R300 001 and above	R24 300 + 28% of the amount by which the taxable income exceeds R300 000

Micro businesses (see definition below) with a turnover of up to R1 million may elect to be taxed on a presumptive basis on their turnover. The rates of tax are as follows:

Turnover	Tax Liability
0 - R100 000	0%
R100 001 - R300 000	1% of each R1 above R100 000
R300 001 - R500 000	R2 000 + 3% of the amount above R300 000
R500 001 - R750 000	R8 000 + 5% of the amount above R500 000
R750 001 - R1 000 000	R20 500 + 7% of the amount above R750 000

This turnover based tax system is elective and qualifying businesses will be required to remain in the system for a minimum of 3 years unless they no longer qualify, (e.g. if the turnover threshold is exceeded).

A **Small Business Corporation** is a close corporation or private company (other than an employment company) of which:

- the entire shareholding or membership is held by individuals;
- the gross income does not exceed R14 million during the year of assessment;
- none of the shareholders or members, at any time during the year of assessment, hold shares in any other company (other than listed companies, any portfolio in a collective investment scheme or qualifying body corporates, shareblock companies, associations of persons, or venture capital companies);
- not more than 20% of the gross income consists of investment income and personal service income; and
- such company is not an employment company (prior to 1 March 2009) or a personal service provider (PSP) (from 1 March 2009).

A **Micro Business** is a company, close corporation or individual (including deceased and insolvent estates) where qualifying turnover is less than R1 million. (Reduced proportionately for periods of less than a year).

A business will not qualify as a Micro Business in certain circumstances, such as following:

- it holds certain shares such as shares in unlisted companies;
- more than 10% of income consists of investment income;
- it's business is that of a labour broker (without an exemption certificate) or a PSP, for any portion of the year;
- it renders professional services;
- the total receipts from capital disposals does not exceed R1 million over a three year period;
- in the case of a company, its year ends other than on the last day of February or its shareholders are not individuals or deceased or insolvent estates of individuals; or
- in the case of partnerships any partner is not a natural person, or a partner is a partner in more than one partnership or the turnover of the partnership exceeds R1 million.

Personal Service Providers (PSPs) which are incorporated are taxed at a rate of 33%. PSPs which are trusts are taxed at 40%.

A personal service provider is any company or trust where any service rendered on behalf of the entity to a client of the entity is rendered personally by any person who is a connected person in relation to the entity and:

- such a person would be regarded as an employee of the client if such service was rendered directly by such person to the client; or
- where those duties must be performed mainly at the premises of the client, such person is subject to the control or supervision of such client as to the manner in which the duties are performed; or
- where more than 80% of the income of such an entity (during the year of assessment) from services rendered consists of, or is likely to consist of, amounts received directly or indirectly from any one client or any associated institution as defined in the Seventh Schedule in relation to such client.

Any entity which throughout the year of assessment employs three or more full-time employees, who are engaged on a full time basis in the business of such entity of rendering any service to a client, other than an employee who is a shareholder, member or beneficiary of the entity, or is a connected person in relation to such shareholder, member or beneficiary is excluded from the definition of a personal service provider.

Any amount that is paid to a personal service provider is subject to employees' tax at the rate of 33%.

Section 23(k) prohibits a deduction in respect of certain expenses incurred by a personal service provider.

Secondary Tax on Companies

South African resident companies are liable for Secondary Tax on Companies (STC) on dividends declared. STC is levied at 10% of the net amount of dividends declared. The net amount comprises the dividend declared, less total dividends received or accrued during the dividend cycle less excess credits not utilised in a previous dividend cycle.

STC is payable on or before the last day of the month, following the month in which the dividend cycle ends. A dividend cycle extends between dividend declaration dates.

Dividends declared by a company in liquidation, or in anticipation of liquidation, winding-up or deregistration from capital profits that accrued before 1 October 2001, are exempt from STC provided certain prescribed steps are taken and instituted within 18 months after the date the dividend is declared.

There are anti-avoidance measures which deem certain transactions and dealings between a company and its shareholders or connected persons in relation to the shareholders to constitute dividends. These include interest-free loans and advances to, or asset distributions to shareholders or a connected person in relation to the shareholders.

STC is expected to be replaced by a dividend withholding tax at shareholder level ('DT') three months after a date to be announced.

Dividends Tax - Withholding Regime

The essential features of the impending DT are as follows:

- Although the tax is borne by the shareholder, it is the responsibility of the payer or appropriate intermediary to withhold the tax.
- It will be levied at 10% on dividends accrued to shareholders, but subject to the limitations imposed by various double taxation treaties.
- Dividends payable to the following shareholders, amongst others, are exempt from DT:
 - . resident companies,
 - . primary, secondary and tertiary government institutions;
 - . Public Benefit Organisations;
 - . certain environmental rehabilitation trusts;
 - . non-profit entities approved in terms of section 10(1)(cA);
 - . pension, provident, retirement annuity and benefit funds;
 - . parastatals such as CSIR, SAIDC, SANRA and water service providers;
 - . a shareholder in a micro business paying the dividend to the extent that the micro business' total annual dividends do not exceed R200 000.

A payer must not withhold tax if:

- the beneficial owner provides a prescribed written declaration that the dividend is exempt from dividend tax; or
- the dividend is paid to a company forming part of the same local group of companies; or
- the payment is to a regulated intermediary.

A regulated intermediary must not withhold tax if:

- the beneficial owner has submitted a prescribed declaration that the dividend is exempt, or
- the payment is made to another regulated intermediary.

Withholding taxes may be reduced by STC credits available in the declaring company up to a period of five years following the date of implementation of DT. Furthermore, rebates are granted in respect of foreign taxes paid on certain dividends.

There are various anti-avoidance rules such as provisions for a Value Extraction Tax for payments to shareholders which could circumvent dividends tax (e.g., loans to shareholders) and measures which tax certain passive holding companies at a higher rate.

Provisional Tax

Companies and close corporations are obliged to register for provisional tax purposes. It is proposed that dormant companies be exempt from this requirement.

Provisional payments are advance tax payments in respect of normal tax payable for the year. Companies and close corporations are required to make their first provisional tax payment within 6 months of the beginning of their tax year and the second provisional payment before the end of the company's tax year.

The third provisional payment is voluntary and should be submitted 7 months after the end of the tax year if the year end is February and 6 months after the end of the tax year if the year end is on any other date, in order to avoid interest. No interest is levied on companies with a taxable income of less than R20 000 on late payments or underpayments of provisional taxes.

The same rules apply as for individuals relating to the estimation of provisional tax payments (see pages 23 - 24).

Special Corporate Rules

The South African tax system does not allow for group assessment and each legal entity is a separate taxpayer in its own right. This approach is softened somewhat by special corporate rules which allow for some free flow without triggering the normal tax consequences.

These rules specifically cover:

- Assets-for-share transactions
- Amalgamation transactions
- Intra-group transactions
- Unbundling transactions
- Liquidations/winding-up and de-registrations

CAPITAL ALLOWANCES

Plant and Machinery

New or used plant and machinery used in the process of manufacturing or a similar process, qualify for a depreciation allowance over 5 years (20% per annum), subject to the accelerated depreciation allowance referred to below.

New or unused manufacturing assets acquired and brought into use, on or after 1 March 2002, may be written off over a period of 4 years, 40% in year 1 and 20% in the remaining 3 years.

Manufacturing assets acquired by small business corporations, as defined, may be deducted in full (100%) in the year the asset was acquired. Other depreciable assets acquired by small business corporations are eligible for a depreciation allowance at a 50:30:20 rate over a 3-year period.

Farmers are entitled to an allowance, over 3 years, of 50%, 30% and 20% respectively calculated on the cost of machinery, implements and articles used for farming, excluding passenger motor vehicles and office furniture and equipment. Farmers are also entitled to a deduction of various capital expenses against farming income.

Besides these general capital allowances, special rates apply to certain classes of assets which do not necessarily reflect the economic life of these assets. These assets include:

- Pipelines and transmission lines
- Rolling stock
- Hotelkeepers assets
- Aircraft and ships
- Airports and port assets
- Approved strategic industrial projects
- Assets used in the production of renewable energy

These allowances are subject to recoupment and an allowance is not reduced where an asset was used for only part of the year.

Wear and Tear Allowance

Assets used for trade (excluding building and assets qualifying for the above-mentioned allowances) qualify for a wear and tear allowance on the straight-line basis over the useful life of the asset.

Interpretation note 47 issued on 11 November 2009 comprehensively deals with wear and tear allowances. The write-off period for certain key assets are listed below:

	Years
Personal computers	
- hardware	3
- software	2
- mainframe/servers	5
Passenger cars	5
Delivery vehicles	4
Motor cycles	4
Furniture and fittings	6
Cash registers	5
Telephone equipment	5
Workshop equipment	5
Air conditioners (window type)	6
Demountable partitions	6
Dental and medical equipment	5
Fax machines	3
Fitted carpets	6
Shop fittings	6
Photocopying equipment	5
Security systems	5
Cellular telephones	2
Containers	5
Burglar alarms (removable)	10
Fork-lift trucks	4
Front-end loaders	4
Neon signs and advertising boards	10
Television sets, video machines and decoders	6
Text books	3
Trucks (heavy duty)	3
Trucks (other)	4

A full transcript of the interpretation note which includes a detailed list of rates acceptable to SARS, may be viewed at www.bdo.co.za/documents/WearandTearallowances.pdf

In order to qualify for these write-off periods, a taxpayer must maintain an adequate fixed assets register. The allowance is reduced proportionately if the asset is purchased during the tax year. A shorter write-off period may be applied for.

Small items may be written-off in full during the year of their acquisition. The Commissioner regards a small item as an item costing less than R7 000 that 'normally functions in its own right and is not an individual item that is part of a set. (Prior to 1 March 2008 the threshold was R5 000).

A taxpayer may change from a reducing balance method to a straight-line method in respect of existing assets. The remaining income tax value of assets will then be written off over the remaining period of their life. The remaining period of their life is the write off period acceptable to SARS, less the period thus far elapsed.

Lessors are required to use the higher of the prescribed write-off period and the period of the lease, and must reduce the write-off value by any residual value.

Buildings

An annual allowance of 5% is allowed in respect of the cost of certain industrial and hotel buildings and improvements thereto, if erection commenced on or after 1 January 1989. Where erection commenced before 1 January 1989, the annual allowance is limited to 2%.

For a limited period, the tax allowance of 10% was granted where the erection of any building commenced during the period 1 July 1996 to 30 September 1999 and the building was brought into use before 31 March 2000. The cost of such building would be written off at 10% per annum on the straight-line basis.

The annual allowance is also claimable in respect of purchased industrial buildings, provided that the seller was entitled to the allowance.

Commercial Building Allowance

An allowance is available in respect of new commercial buildings or improvements to existing buildings. The allowance is equal to 5% of the cost to the taxpayer of any new and unused building owned by the taxpayer, if that building or improvement is wholly or mainly used by the taxpayer during the year of assessment for purposes of producing income in the course of the taxpayer's trade.

The owner of the building qualifies for this allowance and not the occupant. If, for example, the occupant incurs the expenditure in respect of any improvements, the allowance is not available for the owner of such building (improvements by occupants to buildings may also result in other taxes, for example, CGT or normal income tax in the hands of the owner of the building). This potential problem can simply be remedied if the occupant pays additional rental income (equal to the improvements) and the owner incurs the expenditure in respect of the improvements.

This allowance is not available for expenses incurred in respect of residential accommodation.

The allowance is only available in respect of any building or improvement that was contracted for on or after 1 April 2007 if the construction, erection or installation commenced on or after that date.

To the extent that a taxpayer acquires part of a building without erecting or constructing that part, then only a portion of the acquisition price may be claimed.

Residential Building Allowance

An initial allowance of 10% and an annual allowance of 2% of the cost of erecting housing accommodation for letting or for occupation by the taxpayer's full-time employees may be deducted in the year in which the project is completed and the accommodation is first let or occupied, provided the project consists of no less than 5 housing units.

Buildings, the erection of which commence on or after 21 October 2008.

	Depreciation Allowance
Residential Units	5%
Low Income Residential Units	10%

Low Income Residential Units are units where the cost does not exceed R200 000. In the case of an apartment the cost must not exceed R250 000. (Land and bulk infrastructure cost excluded).

Urban Development Zone Allowance ('UDZ')

The UDZ allowance is an incentive, in the form of depreciation allowances, for the renewal of decaying inner cities. The incentive is available until 1 March 2014.

Housing Allowance

An employer may deduct 50% of the cost (up to a maximum of R6 000) of erecting a dwelling for his employee (and his household) in certain circumstances.

FOREIGN EXCHANGE PROFITS AND LOSSES

Foreign exchange profits and losses are largely regulated by section 24I which provides for the deduction/inclusion of certain specified exchange losses/profits both realised and unrealised whether of a capital nature or not.

Section 25D deals specifically with the rates at which foreign income and expenses are converted to Rands.

In addition to the above, Part XIII of the Eighth Schedule (Capital Gains) contains detailed rules relating to foreign currency capital gains and losses (see page 39 - 46).

TRADING STOCK

Trading stock on hand at year end is required to be added back to income at the lower of cost or net realisable value.

The value of trading stock on hand at the end of the year becomes the opening trading stock for the following year and is deductible in that year.

Trading stock held by farmers is dealt with in the First Schedule of the Income Tax Act. The key differences from the general rules are, in essence, that produce is only recognised as stock when picked, harvested or reaped and livestock is valued at nominal standard values.

The LIFO method of valuation is not permitted.

Consumable stores and spare parts acquired to be consumed in the course of trade are also included in trading stock.

The cost price of contractors' work-in-progress relating to fixed property owned by another person must also be included in trading stock until the contract is complete. The cost price will be reduced by progress payments, retention monies and notional losses.

A disposal of inventory for no consideration or an inadequate consideration or a disposal other than in the ordinary course of trading (e.g., stock ceasing to be held as trading stock) including a distribution of a dividend, a liquidation distribution, reduction of capital or share premium or redemption of redeemable preference shares in specie, will result in an inclusion in taxable income of an amount equal to the market value or cost of the stock, less the consideration, if any, received.

Where a marketable security is lent in terms of a lending arrangement whereby a marketable security of the same kind and of the same quality and quantity will be returned to the lender within 12 months, the marketable security is deemed not to have been disposed of by the lender, nor held by the borrower.

CAPITAL GAINS TAX (CGT)

Capital Gains Tax was introduced on 1 October 2001.

Determination of a Capital Gain or Loss

A capital gain or loss is the difference between the base cost of an asset and the proceeds received or deemed to have been received for that asset upon the disposal or the deemed disposal of that asset.

The Calculation of CGT

Consideration on disposal	.....
LESS: Base Cost	.....
Capital Gain	.....
LESS: Annual exclusion (if applicable)	<u>R17 500⁽¹⁾</u>
LESS: Previous assessed capital loss	.....
Net Capital Gain (Assessed Capital loss carried forward and may not be offset against revenue gains)	.....
Net Capital Gain	.....
MULTIPLIED BY: Inclusion rate (25% / 50%)	.....
Amount of the capital gain to be included in income	.....

Note 1: An annual exclusion of R17 500 capital gain or capital loss applies to individuals and special trusts only.

Four Cornerstones for Determining a Capital Gain or Loss

A net capital gain or loss is made up of the following key elements:

- an asset;
- proceeds or deemed proceeds;
- a disposal or deemed disposal; and
- a base cost.

Asset

An 'asset' is property of whatever nature, whether movable or immovable, corporeal or incorporeal, including:

- coins mainly made from gold or platinum; and
- any right or interest of whatever nature to or in such property, but excluding currency.

Disposal

A 'disposal' is any event, act, forbearance or operation of law and includes:

- any event that constitutes alienation or the transfer of ownership of an asset; e.g., sale, donation, cession, expropriation, grant or exchange;
- any event that results in expiry or abandonment of an asset; e.g., forfeiture, termination, redemption, cancellation, surrender, waiver, discharge, release, renunciation or relinquishment;
- scrapping, loss or destruction of an asset;
- vesting in a beneficiary of an interest in a trust asset ;
- distribution of an asset by a company to a shareholder;
- granting, renewal, extension or exercise of an option; or
- decrease in value of a person's interests in a company, trust or partnership through value shifting.

The following are not regarded as 'disposals':

- transfer of an asset as security for debt;
- issuing or cancellation of shares by a company;
- granting of an option by a company to take up shares or debentures;
- issuing of units by an equity unit trust or the granting of an option to take up units;
- issuing of a bond, debenture, note or borrowing of money from a person;
- obtaining credit from a person;
- distribution of trust assets to a beneficiary who has a vested right to the assets;
- correction at the deeds office of incorrect property registration;
- lending of marketable security in terms of a lending arrangement; and
- a qualifying option in an equity instrument obtained after 26 October 2004 which has not yet vested.

Determination of Base Cost

Assets acquired before 1 October 2001:

- the base cost will be the sum of the 'valuation date value' and qualifying costs incurred after the valuation date. The valuation date value, depending on the information and records available, can be determined by using any one of the following methods:
 - . market value of the asset on 1 October 2001;
 - . the time-apportionment base method; or
 - . 20% of the proceeds from the disposal.

In the case of assets acquired before 1 October 2001, special rules apply to prevent taxpayers from claiming phantom losses or from being taxed on gains that were made before that date.

Assets acquired on or after 1 October 2001:

- the base cost is the price paid for the asset, plus certain other costs incurred that are directly related to buying it, selling it or improving it, e.g., transfer duties, attorney's fees, improvement costs, commissions, stamp duty, etc.

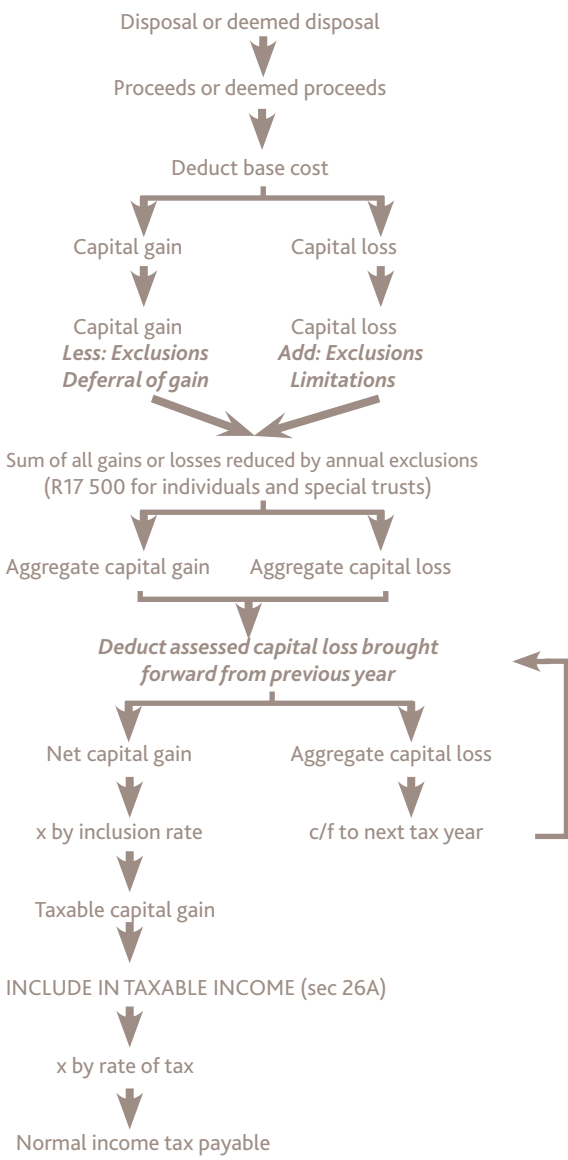
The following are examples of costs that are excluded from the base cost:

- costs of maintaining, repairing or protecting assets
- borrowing costs
- raising fees
- rates and taxes, and
- insurance.

The above costs may, however, be claimed if the asset was used wholly and exclusively for business purposes and such costs were not otherwise claimed for income tax. Also, one third of costs relating to listed shares may be claimed.

In the case of an asset that was subject to a deemed disposal (e.g., asset acquired through donation or inheritance), the base cost in the hands of the recipient will be equal to the deemed proceeds that were used to calculate the gain in the hands of the person who disposed of the asset.

CGT BASIC FRAMEWORK



Inclusion Rates

Type of Taxpayer	Inclusion Rate (%)	Statutory Tax Rate (%)	Effective Tax Rate (%)
Individuals	25	0 - 40	4.5 - 10
Companies	50	28	14
Trusts			
. Unit	N/A	30	N/A
. Special	25	0 - 40	4.5 - 10
. Other	50	40	20
Retirement Funds	N/A	0	N/A
Life Assurers			
. Ind policyholder fund	25	30	7.5
. Co policyholder fund	50	28	14
. Corporate fund	50	28	14
. Untaxed policyholder fund	0	0	0

Death

The annual exclusion available to individuals during the year of death is R120 000.

Liability for CGT

South African residents are liable for CGT on their worldwide assets.

Non-residents are liable for CGT on the following assets situated in South Africa:

- immovable property and any interest in or right to immovable property; and
- assets of a permanent establishment, branch or agency situated in South Africa through which a trade is carried on.

Withholding Tax Regime for Non-residents

A capital gain made by a non-resident on the disposal of an immovable property or any right or interest therein is subject to a withholding tax regime. The obligation to withhold the tax is placed upon the purchaser and the withholding rates are as follows:

Individuals	5.0%
Corporates	7.5%
Trusts	10.0%

The withholding tax does not apply to property sales of less than R2 million. Also, a directive may be obtained to pay a lesser amount.

Certain events are deemed to be disposals for CGT purposes, whilst certain other events will give rise to simultaneous disposals and acquisitions, e.g., emigration; when a person ceases to be a resident for South African tax purposes; waiver of debt by a creditor; death, etc.

Exclusions

The following items are, for example, disregarded for CGT purpose:

- the first R1.5 million of a gain upon disposal of a primary residence. Also, no CGT is payable if the proceeds upon disposal do not exceed R2 million;
- most personal use assets of individuals or special trusts;
- lump sum benefits from pension, provident or retirement annuity funds;
- proceeds from long term insurance policies (excluding second-hand policies);
- payments as compensation for personal injury, illness or defamation claims;
- gains from gambling, games or competitions authorised and conducted in terms of South Africa's laws;
- gains made by approved PBOs;
- qualifying gains and losses made by unit trust funds;
- gains of up to R750 000 on the disposal of a small business by reason of death, reaching the age of 55 or for reasons of ill-health, provided certain other requirements are met; and
- donations and bequests to approved PBOs.

Rollover or Deferrals

In the case of the following, the gain on the disposal of an asset is deferred until a subsequent CGT event:

- involuntary disposals (e.g., theft, fire) provided the asset is replaced within a period of 12 months;
- re-investment in replacement assets that are brought into use within a period of 12 months;
- transfers between spouses, including as inheritances; and
- disposal of assets using the special corporate rules.

Capital Losses not taken into account

Losses suffered in respect of the following transactions or events cannot be claimed for CGT purposes:

- losses on disposal of intangible assets acquired before 1 October 2001;
- losses in respect of certain forfeited deposits;

- losses suffered on transactions with connected persons. These losses are ring-fenced and can only be offset against gains resulting from dealing with that same connected person;
- losses on disposal of options on certain personal use assets; and
- losses on disposal of certain shares.

Assets held in Foreign Currency

Special rules apply in respect of assets held and disposed of in foreign currency.

In the case of foreign equity instruments, profits and losses resulting from foreign exchange differences must be accounted for.

'Currency' is excluded from the definition of an 'asset' and therefore not subject to the normal CGT rules. Complex rules apply in determining capital gains and losses made in respect of the disposal or acquisition of 'foreign currency assets' or the settlement or part settlement of a 'foreign currency liability' because of foreign exchange fluctuations.

'Foreign currency asset' means:

- a unit of foreign currency; or
- a foreign loan, advance or debt owing by a person.

'Foreign currency liability' means a foreign loan, advance or debt owing by a person.

Any gains or losses in respect of foreign currency assets and liabilities up until 28 February 2003 have been excluded from the CGT net. Gains and losses, arising subsequent to this date are now subject to CGT.

The following constitutes the disposal of a 'foreign currency asset':

- the conversion, sale, donation, cession, exchange or transfer of that foreign currency asset;
- the forfeiture, loss, termination, redemption, cancellation, surrender, waiver, expiry or abandonment of that foreign currency asset; or
- the vesting of any foreign currency asset of a trust in a beneficiary of that trust.

Different pools must be created for different foreign currencies acquired after 1 March 2003. Foreign currencies held on 1 March 2003 are deemed to have been acquired into the various currency pools on that date and must be converted to Rands at the average exchange rate for the year ending 29 February 2004.

Every time new currency assets are introduced into a pool, the 'total asset pool base cost' must be re-determined. When a foreign currency asset is disposed of, a pro rata portion of the 'total asset pool base cost' must be allocated to that currency asset disposed of and the gain or loss calculated with reference to the Rand value of the disposed foreign currency asset.

DISPOSAL OF SHARES - 3 YEAR RULE

The proceeds on the sale of equity shares will automatically be subject to Capital Gains Tax if the period of ownership exceeds three years.

The application of section 9C, unlike its predecessor (section 9B), is not optional.

The salient features of section 9C are as follows:

- Applicable to the disposal of qualifying shares on or after 1 October 2007.
- Mandatory – no election by the taxpayer is provided for.
- The application of section 9C extends beyond listed shares – it also applies to shares in private companies, interests in close corporations and certain collective investment schemes (for example, share portfolios). There are however various exclusions from section 9C such as shares in unlisted foreign companies, share block shares, hybrid equity and certain connected party circumstances.

It is important to note that the proceeds from the disposal of a share that was not held for the required three year period may also be capital in nature, depending upon a taxpayer's intention. The onus of proof will under these circumstances be placed on the taxpayer. Factors such as the holding period and the frequency of share disposals will be considered in establishing intent.

THE TAXATION OF FOREIGN DIVIDENDS

Unlike local dividends, foreign dividends generally attract normal tax.

The following foreign dividends are, however, exempt or partially exempt from tax:

- Dividends to the extent that the profits from which such foreign dividends are distributed have been or will be subject to tax in South Africa. This will typically be the case if a foreign company generates all its profits from a branch in South Africa and distributes these profits as a dividend to a resident of South Africa.

- Dividends to the extent that the profits from which such foreign dividends are distributed arose directly or indirectly from any dividends declared by a resident of South Africa.
- Dividends declared by a company that is listed in South Africa as well as in a country other than South Africa (dual listed) and residents hold more than 10% of the equity share capital in that company when the dividends are declared.
- Dividends to the extent that the profits from which the dividends are distributed have been or will be included in the resident's income in terms of the controlled foreign company rules (s 9D).
- Dividends paid to residents who own 20% or more of the equity share capital and voting rights of the foreign company. This exemption does not apply in respect of a dividend from a portfolio in any collective investment scheme in securities.
- Expenditure incurred in the production of exempt dividends is not deductible. Interest incurred in the production of non-exempt foreign dividends may, however, qualify as a deduction in terms of section 11C.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The Broad-Based Black Economic Empowerment ('BEE') Act aims to promote equality within the business sector. The Department of Trade and Industry has issued a general BEE scorecard to measure companies' BEE credentials.

The components of the scorecard include ownership, management, employment equity, skills development, preferential procurement, enterprise development and a residual element. Increasing emphasis is being placed upon ownership credentials.

Broad-Based Employee Share Plans

Section 8B is designed to promote empowerment of employees through share ownership. These provisions, whilst applicable to employees in general, could assist taxpayers in meeting their black economic empowerment objectives.

In essence, employees may acquire in aggregate R50 000 worth of shares from the employer or associated companies for a nominal consideration. The employee will be subject to capital gains tax on any amounts received or accrued, if the shares are held by the employee for more than 5 years before disposal. If the shares are disposed of within 5 years, any gains made will be taxable as normal income and subject to normal income tax (this is despite the 3 year rule contained in section 9C which characterises the proceeds upon the disposal of a share after 3 years as capital).

A company is entitled to a deduction of the market value of any qualifying equity shares granted to employees, limited to a maximum of R10 000 per annum. Any excess may be carried forward and claimed in the following tax year.

In general, 'broad-based employee share plans' are subject to the following requirements:

- equity shares in the employer or other companies in the group are acquired by employees for a minimum consideration, namely the par value of the shares;
- at least 80% of the permanent or full time employees are entitled to participate (other than employees who participate in another equity incentive scheme of the group);
- employees who acquire the shares are entitled to all the dividends and have full voting rights of the shares acquired;
- no restrictions may be imposed on the disposal of the shares other than:
 - . restrictions imposed by legislation or where an employee is guilty of poor performance or misconduct;
 - . a right of any person to acquire those equity shares from employees at market value; or
 - . a restriction in terms of which that employee may not dispose of those equity shares for a period of at least 5 years from the date of the grant of those shares.

The value of the equity shares acquired in terms of the plan may not exceed R50 000 in aggregate over a five year period.

TAX EXEMPT ENTITIES

While certain entities (e.g.. Pension, Provident and Benefit Funds) qualify for tax exemption automatically, others (e.g.. Public Benefit Organisations, Recreational Clubs, Professional Bodies, Trade Unions, Bodies Corporate) must apply for tax exemption.

Public Benefit Organisations (PBOs)

Public Benefit Organisations seeking exemption from income tax must apply for tax exemption under section 30. In addition to this PBOs may enjoy exemption from certain other taxes, including donations tax, estate duty, transfer duty, securities transfer tax, skills development levies and CGT.

Public Benefit Organisations (PBOs) seeking approval for exemption must comply with certain provisions, the most important of which are:

- the sole object of the entity must be to carry on one or more public benefit activities in the following categories:
 - . Welfare and Humanitarian;
 - . Health Care;
 - . Land and Housing;
 - . Education and Development;
 - . Religion or Philosophy;
 - . Cultural;
 - . Conservation and Animal Welfare;
 - . Research and Consumer Rights;
 - . Sport;
 - . Provision of funds and resources to other PBOs,
 - . Support services to other PBOs,
 - . Hosting international events,

- the management committee must comprise at least three persons who are not connected persons and no one person may control the entity;

- no excessive remuneration and no profits may be distributed to any person.

Foreign charities operating as an agency or branch within South Africa and which meet the same criteria as local organisations, may also be granted exemption.

In terms of Section 18A, donations to certain PBOs which carry on the public benefit activities contemplated in Part II of the Ninth Schedule are deductible up to 10% of the donor's taxable income. 75% of such tax deductible donations must be used for the purposes of the PBOs activities within 12 months from the end of the financial year in which they are received unless SARS approves the accumulation of funds for a special purpose.

Employees may also enjoy PAYE reductions where regular donations are made by way of salary or wage reduction (Payroll Giving).

Recreational Clubs

A recreational club is any company, society or other association of which the sole or principal object is to provide social and recreational amenities or facilities for its members.

Recreational clubs previously enjoyed complete exemption from income tax. Now recreational clubs are subject to a system of partial taxation in terms of section 10(1)(cO), for years of assessment commencing on or after 1 April 2007. All club income will now be subject to income tax unless it falls within the exemptions under section 10(1)(cO) which include an exemption for income from membership fees and certain business activities if integrally related to the provision of recreational activities.

The Commissioner will approve a recreational club for exemption of qualifying income from tax if certain conditions are met, e.g., members must be entitled to annual or seasonal membership which may not be sold.

Applications for the approval of the exempt status received before 30 September 2010 may be approved with retrospective effect.

Bodies Corporate

All levy income is exempt and other income up to R50 000 per annum is exempt from tax.

VALUE ADDED TAX (VAT)

VAT is levied at 14% on the value of all goods and services supplied by vendors. The main exceptions are as follows:

Exempt Supplies

- rental of residential accommodation;
- educational services;
- local passenger transport by road or rail;
- trade union contributions;
- share block and body corporate levies;
- certain financial services including interest received, and the transfer of debt and equity securities;
- child care in a creche or after-school care;
- the sale or letting of land outside South Africa; and
- certain sales by certain Public Benefit Organisations;

Zero Rated Supplies

- the sale of a going concern between two registered vendors;
- petrol sales, excluding aviation fuel;
- certain basic foodstuffs;
- certain goods to be used for farming purposes;
- exported goods and services, subject to prescribed requirements;
- goods supplied to a customs controlled area, subject to prescribed requirements;
- supply of gold to the South African Reserve Bank, Mint or any registered bank;

- certain services rendered outside South Africa;
- international transportation and related services;
- certain services rendered to non-residents, but subject to prescribed requirements;
- certain receipts of welfare organisations;
- certain services related to warranties; and
- municipal rates.

Essential Features

- enterprises with a turnover of less than R1 000 000 (previously R300 000) in any period of 12 months are not obliged to register for VAT;
- enterprises with a turnover of less than R50 000 (R20 000 up to 31 March 2010) in any period of 12 months are not permitted to register for VAT subject to certain exceptions;
- VAT returns are generally submitted on a 2 monthly basis unless turnover in any period of 12 months exceeds R30 million, in which case returns are submitted monthly;
- vendors may reclaim the VAT element of all expenditure except for:
 - . entertainment expenditure which excludes certain qualifying subsistence expenditure;
 - . 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;
- the name, address and VAT registration number of the recipient must appear on tax invoices where the VAT inclusive total exceeds R3 000;
- a notional input tax credit may be claimed on the purchase of second hand goods, subject to prescribed requirements;
- notional input tax claimed on property transactions is limited to the transfer duty paid on the transactions;
- all fee based financial services (with the exception of certain premiums on life policies and contributions to retirement funds) are subject to VAT;
- certain vendors with a turnover of less than R2.5 million may apply to account for VAT on a payments basis; and
- non-residents can, subject to certain conditions, qualify for a VAT refund on goods purchased in South Africa. Such refunds do not apply to services.

GOVERNMENT INCENTIVES

At present there are a number of incentives available to South African businesses. Incentive categories include research and development, enterprise development, export development, industry specific incentives and investment incentives.

A summary of the available incentives is as follows:

Research and development

Support programmes provided by the DTI in association with the IDC are aimed at encouraging research and development activities by large companies and SSMEs. The Support Programme for Industrial Innovation (SPII) serves to promote technology development in industries within South Africa for the innovation of competitive products and/or processes.

Three options are available:

- Product Process Development (PPD): a taxable non-repayable grant of 50% - 85% of qualifying costs incurred in pre-competitive development activity associated with a specific development project.
- SPII Matching Scheme: a taxable non-repayable grant of a portion of qualifying costs incurred in pre-competitive development activity associated with a specific development project up to a maximum grant amount of R1.5 million.
- SPII Partnership Scheme: a taxable non-repayable grant of a portion of qualifying costs with a minimum contribution greater than R1.5 million.

Enterprise development

Government has introduced a programme, the Black Business Supplier Development Programme (BBSDP) to support the development of successful black-owned enterprises. The BBSDP is a cost-sharing grant available to black-owned enterprises and provides grants to a maximum of R1 million to improve their corporate governance, management, marketing, productivity and use of modern technology. The focus is on black-owned enterprises that are VAT registered and have the potential ability to supply goods and services to public and private sector corporations as well as government departments on a sustainable basis.

Export development

Various incentives to encourage exports are available. This includes:

- **Export Marketing and Investment Assistance scheme (EMIA):** The DTI may subsidize expenses relating to primary export market research, individual inward bound trade missions, exhibits at international pavilions and individual exhibitions, outward selling trade and investment recruitment missions and inward buying and investment missions. The EMIA programme may also provide sector specific assistance to initiatives aimed at growing exports and is historically available to disadvantaged businesses, SMMEs and 'other businesses'.
- **Capital Projects Feasibility Programme (CPFP):** A cost-sharing scheme providing a contribution to the cost of feasibility studies that are likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services.

Other export incentives include credit guarantee facilities to local industrialists, finance at reduced interest rates for the creation of production capacity for exports, government interest subsidy on finance to export capital goods and projects and an export credit guarantee scheme for pre-shipment finance.

Industry specific incentives

Targeted support is available to selected industry sectors which include:

- **Film incentive:** a revised film and television production incentive intended to increase local content generation and improve location competitiveness for filming in South Africa
- **Business process outsourcing and off-shoring (BPO and O):** an investment incentive offered to local and foreign investors establishment projects which aim primarily to serve offshore clients by investing in facilities like call centres.
- **Duty credit scheme for the textile and clothing industry (DCCS):** aimed at influencing and encouraging textile and clothing manufacturers to compete internationally.

Investment Incentives

Incentives to encourage investment in certain targeted sectors of the economy include:

- Critical Infrastructure Programme (CIP): a government programme established to assist industrialists engaged in the development or upgrading of enabling infrastructure such as roads, rail links, water pipelines, telecommunication networks, etc., that are required for their industrial operations with a shared benefit to the general public or other businesses.
- Enterprise Investment Programme (EIP): with a focus on the manufacturing and tourism industries, the EIP provides grant support to new and expanded projects.
- Development Electricity Pricing Programme (DEPP): a government programme established and administered by the DTI and ESKOM with the aim of attracting industrial investment projects to South Africa.

ESTATE DUTY

The general rule is that, if the deceased was ordinarily resident in South Africa at the time of death, all his assets, wherever they are situated, will be included in the gross value of his estate for the determination of duty payable thereon.

The dutiable amount is arrived at as follows:

Value of all property at date of death (including limited interests such as usufructs, and off-shore assets)	R.....
Deemed property *	R.....
Gross value of property	R.....
Deductions **	R.....
Net value of estate	R.....
Abatement***	R (3 500 000)...
Dutiable amount	R.....
Estate Duty thereon at 20%	R.....

* Deemed property includes: insurance policies on the life of the deceased as well as any accrual claim the deceased's estate may have against a surviving spouse.

** The most important deductions are:

- funeral expenses and administration costs;
- debts due at date of death, which includes the income tax and CGT liability of the deceased for the period prior to death;
- charitable bequests;
- assets owned by the deceased prior to immigration to South Africa or inherited from a non-resident; and
- property and deemed property passing to a surviving spouse (as defined).

*** If the deceased was the spouse of one or more previously deceased persons, this abatement will be calculated as follows: R3 500 000 x 2, less the section 4A abatement/s claimed in the estate/s of the previously deceased person/s. If the deceased was only one of the spouses of the previously deceased person, the abatement will be apportioned between the spouses of that person.

There is relief from estate duty in the case of the same property being included in the estates of taxpayers dying within 10 years of each other. The deduction is calculated on a sliding scale decreasing from 100% where the taxpayers die within two years of each other to 20% where the deaths are within 8 to 10 years of each other.

If the deceased party was not ordinarily resident in South Africa, only those assets located in South Africa will be subject to estate duty.

South Africa has entered into reciprocal agreements (double taxation agreements) with many countries for the avoidance of double estate duty being payable in respect of the same property.

Rates

Estate duty is payable on the resultant dutiable amount of the estate at the rate of 20%.

Note: "Taxes upon death", comprising estate duty and CGT, are to be reviewed.

DONATIONS TAX

Donations tax is payable on the value of any gratuitous disposal of property, including the disposal of property for inadequate consideration, by any resident individual or any private company which is incorporated, managed or controlled in South Africa. Public companies are exempt from donations tax.

A donation is also a disposal for CGT purposes.

Rate of Donations Tax

Donations tax is payable within 3 months after the date of donation at a flat rate of 20% on all donations made.

Principal Exemptions

- Donations between spouses (as defined);
- Donations to approved PBOs of up to 10% of the donor's taxable income;
- The donation of assets outside South Africa, subject to certain conditions;

- Casual donations up to R10 000 per year by donors other than individuals;
- Donations by individuals not exceeding R100 000 per year; and
- Bona fide maintenance payments.

SECURITIES TRANSFER TAX

In terms of the Securities Transfer Tax Act, which came into effect on 1 July 2008, Securities Transfer Tax ('STT') is payable on a change of beneficial ownership of securities at a rate of 0.25% of the 'taxable amount' of all listed or unlisted securities.

The 'taxable amount' means the purchase consideration on change of ownership (including cancellation or redemption). If there is no consideration, or the consideration is less than fair value, STT is payable on the market value or the closing price of the securities on the date of the transaction.

'Securities' include a member's interest in a close corporation.

No STT is payable on the issue of shares.

The cancellation or redemption of a security (including share buy-backs and redemptions) will be regarded as a change in beneficial ownership and therefore subject to STT.

Transfer, redemption or cancellation of securities will be exempt from STT in certain circumstances, e.g.:

- transfer to an heir or legatee;
- cancellation on liquidation;
- transfer to a PBO;
- transfer of shares in a Share Block Company;
- transfer of shares constituting a transaction subject to transfer duty;
- intra-group transfers in terms of Section 45 of the Income Tax Act; and
- transfer of shares as a liquidation distribution in specie in terms of Section 47 of the Income Tax Act.

STAMP DUTY

Leases of Immovable Property

The Stamp Duties Act, which imposed stamp duty only on leases for periods exceeding five years, was repealed with effect from 1 April 2009.

However, stamp duty remains payable on leases of fixed property executed before 1 April 2009 at a fixed rate of 0.5% on the quantifiable amount (as defined) of the lease. The stamp duty is subject to a maximum amount equal to 8% of the value of the property.

No stamp duty was payable on leases for periods (including renewal periods) of less than 5 years. A lease which may continue for an indefinite period was deemed to be for a period of 5 years.

TRANSFER DUTY ON IMMOVABLE PROPERTY

Transfer Duty is levied on the greater of the purchase price or market value on the transfer of immovable property in the Republic. The indirect acquisition of residential property by way of the acquisition of shares, a member's interest in a close corporation or a contingent right in a discretionary trust is subject to transfer duty.

Rates applicable from 1 March 2006:

- **Companies, close corporations and trusts:** 8%
- **Individuals:**
 - on first R500 000 0%
 - R500 001 to R1 000 000 5% on value above R500 000
 - R1 000 001 and above R25 000 + 8% on value above R1 000 000

Transfers between spouses on divorce, and transfers to heirs (including trusts and companies) from a deceased estate, are exempt from transfer duty.

SKILLS DEVELOPMENT ACT

The skills development levy (SDL) is a levy payable by an employer on its payroll. The funds collected from this levy are used to finance a national skills development programme.

All employers (subject to certain exemptions) are required to pay 1% of their payroll on a monthly basis to SARS or a Sector Education and Training Authority (SETA). Directors fees must be included.

No SDL is payable by employers with a payroll of less than R500 000 per annum or by any public service employer, certain approved public benefit organisations and certain national and provincial entities.

EXCHANGE CONTROL

Exchange controls are monitored and administered by the Financial Surveillance Department (formerly Exchange Control Department)

Facilities available to South African Residents

Discretionary Allowance

The allowances formerly known as travel, gift and maintenance allowances are covered by a single discretionary allowance of R750 000 per annum.

The discretionary allowance is available to all individuals over the age of 18 years. It is in addition to the existing foreign investment allowance described below.

The allowance is available to cover the following:

- Monetary gifts and loans to non-resident individuals.
- Donations to missionaries, religious, charitable and educational bodies.
- Maintenance transfers.
- Travel allowances.
- Study allowances.

Except for monetary gifts and loans, the discretionary allowance does not apply to residents temporarily living abroad.

Travel Allowances for visits outside the Common Monetary Area (CMA)

Adults - the travel allowance forms part of the discretionary allowance referred to above.

Persons under the age of 18 - R160 000 per calendar year.

Travel facilities may be provided in any authorised form. If transferred to a bank account, the allowance may only be transferred to the traveller's account and not the account of a third party.

Travel facilities not availed of during one calendar year may not be carried forward to the following year.

Travellers proceeding on visits outside the CMA are permitted to export up to R5 000 per person in South African Reserve Bank notes. This is not regarded as being part of the travel allowance.

Alimony Transfers

Authorised dealers may permit alimony transfers to non-residents on presentation of a court order. Where an applicant wishes to effect a monthly payment in excess of the amount stipulated in a court order, then authorised dealers may approve transfers up to an amount of R9 000 per month over and above the stipulated amount.

South African Residents Temporarily Living Abroad

Such persons qualify for:

- a subsistence allowance in terms of the discretionary allowance as referred to above;
- a subsistence allowance not exceeding R160 000 per calendar year (applicable to children under the age of 18 years);
- exportation of household goods and personal effects and motor vehicles with a maximum insured value of R1 million.

Study Facilities

Foreign exchange study facilities are restricted to permanent residents of South Africa who are taking full time courses at recognised educational institutions abroad.

The facilities comprise:

- full amount of tuition and academic fees for the academic year transferred directly to the institution concerned;
- discretionary allowance as referred to above to cover travelling and related costs.
- exportation of household goods and personal effects up to the value of R200 000 per student.

Business Travel Facilities

Authorised dealers may approve applications by businesses for omnibus travel facilities for up to R2 million per calendar year for allocation at the discretion of the business. Representatives of the business using this facility also qualify for the travel allowances referred to above.

Foreign Investment by South African Residents

Individuals

Private individuals over the age of 18 years are permitted to invest an amount of R4 million outside the CMA. A tax clearance certificate must be obtained from SARS prior to the transfer of funds. These funds may not be utilised to invest directly or indirectly back into South Africa.

The Reserve Bank will also consider applications by private individuals to invest in fixed property in SADC member countries against submission of a tax clearance certificate.

South African Resident Companies

Requests to invest overseas are considered on merit. The investor will be required to motivate that the investment will result in a long-term benefit to the South African economy. Similarly, major corporates may apply to establish primary listings offshore. The outward investment limit was increased from R50 million to R500 million in October 2009.

Dividends repatriated from foreign subsidiaries are eligible for an exchange control credit. Dividends declared and paid after 26 October 2006 may be utilised for any purposes at any stage, except for loans into the CMA.

Institutional Investors

Long term insurers, pension funds and fund managers may invest 20% of total assets offshore. Collective investment schemes and investment managers may invest 30% of the total retail assets under management offshore.

Royalties and Licence Fees

Agreements by South African companies to pay royalties, licence and patent fees to non-residents in respect of the local manufacturing of a product are subject to approval from the Department of Trade and Industry (on behalf of the Exchange Control authorities).

Agreements by South African companies to pay royalties, licences and patent fees to non-residents where no local manufacturing is involved, are subject to approval from the Exchange Control authorities.

No royalties may be paid to non-residents where the royalties stem from intellectual property initially devised in South Africa.

Non-Residents

Non-residents may freely 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. Such financing would require prior exchange control approval.

Capital Transactions

Proceeds from the sale of assets in South Africa, owned by non-residents (excluding blocked assets of emigrants), may be remitted abroad.

Dividends

Dividends declared by listed companies are remittable to non-resident shareholders. An emigrant shareholder will be entitled to dividends declared out of income earned after the date of emigration.

Dividends declared by unlisted companies are remittable in proportion to percentage shareholdings, subject to certain restrictions. Dividends in favour of emigrant shareholders may be remitted subject to additional requirements.

Directors Fees

Authorised dealers may transfer directors 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.

Management and Administration Fees

Requests for payment of management and administration fees are considered on merit, taking into account the reason for the fees, nature of the services and the basis of calculation.

Emigrants from South Africa

Emigrants qualify for:

- a cash allowance;
- a foreign capital allowance; and
- exportation of certain items.

Cash Allowance

Emigrants qualify for a cash allowance equal to the annual discretionary allowance available to South African residents.

Foreign Capital Allowance

- R4 million per single person; or
- R8 million per family unit, less any amount invested in terms of the foreign investment allowance.

Individuals who have emigrated and who have not fully utilised the authorised foreign capital allowance, may be afforded additional capital transfers within the overall limits.

Quoted securities may be exported as part of the emigration facilities based on their market value at the time of utilising the applicable allowance. The relevant securities must be restrictively endorsed.

Exportation of Goods

Emigrants may export household and personal effects and motor vehicles within the overall insured value of R1 million.

These goods, other than clothing, must have been in the emigrant's possession for at least one year prior to emigration.

Further Regulations

- Foreign assets held by an emigrant are not deducted from the settling-in allowance; and
- Emigrants must declare whether any assets were received as donations or gifts within the last 3 years or as capital distributions from inter vivo trusts within the last 5 years, prior to the date of emigration.

Blocked Funds

Assets of an emigrant in excess of the above allowances remain blocked in South Africa. They must be brought under the control of an authorised dealer and may be released for payment of specified investments and/or expenses.

Emigrants can, on application, request to transfer blocked assets in excess of the foreign capital allowance limits, subject to an exit schedule approved at the discretion of the South African Reserve Bank. An exit levy of 10% of the amount remitted is charged.

Blocked assets are required to be invested in prescribed assets as determined by the South African Reserve Bank.

Certain income from a South African source may be remitted to emigrants. A detailed listing is available on request.

Distributions from Estates

Bequests and the cash proceeds of and inheritances due to heirs permanently resident outside South Africa may be remitted abroad.

COMPARATIVE TABLE OF TAXES PAYABLE IN CERTAIN SOUTHERN AFRICAN STATES

	South Africa	Zambia	Botswana	Lesotho	Namibia	Swaziland	Mozambique	Zimbabwe
COMPANY TAX								
Manufacturing	28%	35%	15%	10% ^{N5}	18% ^{N4}	30%	32%	20%/25%
Normal non-mining, local	28%	35%	25%	25%	35%	30%	32%	25% + 3% AIDS levy
Non-resident Branch	33%	35%	25%	25%	35%	30%	32%	25% + 3% AIDS levy
Mining and other	28% ^{N10}	15%- 45% ^{N9}	25%	25%	55% diamond 37.5% other	30%	32% ^{N3}	25%
INDIVIDUAL TAX								
Maximum rate	40%	35%	25%	35%	37%	33%	32%	35% + 3% AIDS levy
Non-residents				35%	-	-		-
Level of taxable income at which maximum rate applies	R552 000	K4 100 000	P120 000	LSL33 075	N\$750 000	SZL82 500	MZN 1 512 000	USD18 000
OTHER TAXES								
Distributed Profits Tax	10% ^(N11)	-	-	-	-	-	-	-
CGT	10%-20% ^{N7}	-	25%	10%/25% ^{N7}	-	30% ^{N1}	20%	20%
VAT	14%	16%	10%	5%/15%	15%	14%/25%	17%	15%
NRST	-	15%	15%	25% ^{N6}	5%/10%	15% ^{N2}	20%	10%/15%
NRTI	-	15% ^{N8}	15%	25%	10%	10%	20%	0%
NRTF	-	-	15%/10%	10%/25%	-	15%	10%/20%	15%
Royalty Tax	12%	15%	15%	25%	10.5%	15%	20%	15%

The above table has been compiled from information supplied and is subject to confirmation.

N1 Only on disposal of mineral rights

N2 12.5% for specified countries applies to branch profits as well.

N3 Tax free zone operators and enterprises

N4 35% after 10 years.

N5 0% for certain manufacturing companies which export exclusively outside of SACU countries.

N6 Applies to branch profits as well^{N7} Capital Gains form part of business income.

N7 Individuals - 10%; companies - 14%; trusts - 20%

N8 Interest to individuals on Treasury Bills -25%.

N9 E.g. Farming and non-traditional exports - 15%; banks - 35%/40%.

N10 Gold mining according to formulae

N11 Not applicable to distribution of branch profits nor gold mines who elect STC exemption

NAMIBIA

Tax Year

The tax year-end for individual taxpayers is 28/29 February of each year. Companies and close corporations follow their financial reporting period (usually a year).

Individual Tax Rates

Taxable Income (N\$)	Tax rate (N\$)
Up to 40 000	Not Taxable
40 001 - 80 000	27% for each N\$ above 40 000
80 001 - 200 000	10 800 + 32% for each N\$ above 80 000
200 001 - 750 000	49 200 + 34% for each N\$ above 200 000
Over 750 000	236 200 + 37% for each N\$ above 750 000

Contributions to pension, provident and retirement annuity funds and premiums on educational policies are tax deductible up to N\$ 40 000 per annum.

Company Tax Rates

Non-manufacturing, petroleum mining and non-mining companies (including branches of foreign companies and insurance companies) and close corporations are taxed at a rate of 35%.

Registered and approved manufacturing companies and close corporations are taxed at a rate of 18% for the first 10 years, and at a rate of 35% thereafter.

Hard rock mining companies (other than diamond mining, oil and gas extraction) are taxed at a rate of 37.5%.

Diamond mining taxable income is taxed at 50%. A 10% surcharge is levied on tax payable giving rise to an effective rate of 55%.

Retirement funds are exempt from income tax.

Capital Gains Tax (CGT)

There is no CGT system in Namibia. Certain capital gains are, however, specifically included in Gross Income.

Withholding Tax

- 10% withholding tax is deductible on dividends paid to non-resident shareholders whether corporate or individual;
- Royalties paid to non-residents are subject to 10,5% withholding tax;
- Double Taxation Agreements (DTA) may override these withholding taxes. There are DTA's with France, Germany, India, Mauritius, South Africa, Romania, Russia, Sweden and the United Kingdom.

Estate Duty/Donations Tax

There is currently no estate duty nor donations tax.

Transfer Pricing and Thin Capitalisation

Transfer pricing legislation was introduced with effect from 14 May 2005. The legislation regulates international goods or service transactions between connected persons, and permits Revenue to disallow certain expenditure/adjust income if the contract price is less or more than the price would have been between parties dealing at arm's length.

Thin capitalisation rules were also introduced in 2005. These regulate the financial assistance granted by non-residents to connected Namibia companies. Interest paid on that portion of any foreign connected party loan which is considered to be excessive is denied as a deduction.

Value Added Tax (VAT)

- The standard rate applicable is 15% on taxable supplies.
- Zero ratings and exempt supplies apply to certain goods and services.

BOTSWANA

Tax Year

Companies and individuals are assessed on an annual basis as at 30 June.

Company Tax Rates

Resident companies	25%
Resident manufacturing companies (Approved*)	15%
Non-resident companies	25%
International Financial Services Centre (IFSC) Companies – from approved financial transactions with non-residents, IFSC Companies and Specified Collective Investment Undertakings	15%
- All other income	25%
Pension and Provident Fund not approved by the Commissioner General	7.5%

* A specific application must be submitted to the Ministry of Finance and a Development Approval Order obtained, in order to qualify for the special rate applicable to manufacturers.

According to the budget announcements in Botswana on 8 February 2010, the two-tier system of collecting corporate tax is to be abolished. Under the two-tier system, a basic company tax of 15% and an Additional Company Tax (ACT) of 10% is levied. This will be consolidated into a single corporate tax rate of 25% and withholding taxes will no longer be available for set-off against ACT.

Capital Gains Tax

Capital gains tax is charged on gains arising on the disposal of certain assets, irrespective of whether the taxpayer is a resident or not, at a maximum of 25%.

Capital gains subject to tax include gains on all movable and immovable property of a business carried on in Botswana and investments in shares or debentures of a company.

However, gains arising in respect of the following are exempt:

- principal private residence;
- shares and debentures of a public company;
- plant and machinery, but not buildings, in respect of which annual allowances have been granted; and
- gains arising from disposal of mineral rights and mining or prospecting information.

100% of net gains on immovable property will be taxable, whereas only 75% of net gains on movable property will be taxable.

Capital losses may be carried forward for a maximum of one year.

Withholding Tax

- With effect from July 2010, the withholding tax (WHT) on dividends will be reduced from 15% to 7.5%. Withholdings will, however, no longer be available for set-off against ACT which will be abolished upon the introduction of the single corporate tax.
- Payment of interest to a non-resident is subject to WHT of 15% on payment.
- Commercial royalties and management or consultancy fees paid to non-residents are subject to 15% WHT.
- 10% WHT is deductible on entertainment fees paid to a non-resident.
- 3% WHT is deductible on construction contracts that are in excess of Pula5 000, but the withholding tax does not apply to construction related services.

Self Assessment Tax (SAT)

Under this scheme, tax is payable on a quarterly basis in advance with a final payment due during the first 4 months of the subsequent financial year. The scheme is at present only applicable to companies. The quarterly payments must not be less than 20% of the actual liability for the relevant tax year. SAT is mandatory for companies with tax payable of over Pula50 000.

Individuals

The maximum tax rate for individuals is 25% which applies to income of Pula120 000 and more.

According to the sliding scales, the first Pula30 000 is tax-free (only applicable to residents). Pula120 000 attracts tax at Pula10 875.

Value Added Tax

Introduced on 1 July 2002.

The standard rate of 10% applies to taxable supplies. Certain services or supplies are either zero-rated or exempt.

Compulsory registration is required for those persons whose taxable turnover is in excess of Pula250 000 and all auctioneers, irrespective of their annual turnover.

There are 2 categories of VAT periods, those of 1 calendar month (if turnover is over Pula12 million) and those of 2 calendar months.

MOZAMBIQUE

Tax Year

The tax year coincides with the calendar year. Companies may, however, be granted approval to adopt their financial year end as their tax year end.

Corporate Income Tax (Imposto sobre os Rendimentos das Pessoas Colectivas - IRPC)

Resident companies are taxed on worldwide income whilst non-residents are subject to tax only on income which has its source in Mozambique.

Corporate tax rates

The rate of IRPC is 32%, subject to the following exceptions:

Specific Categories	Rate
Agricultural or livestock activities, until 31 December 2015	6.4%
Income subject to withholding tax at source (e.g. interest, certain dividends and royalties)	20%
Entities that do not have headquarters, effective management nor a permanent establishment in Mozambique	20%
Entities which do not have headquarters, effective management nor a permanent establishment in Mozambique where income is derived from rendering services relating to international telecommunication and transport as well as assembling and installation of equipment related to the latter entities	10%
Withholding tax on dividends from shares listed on the Maputo Stock Exchange	10%
Expenses not duly documented and those of a confidential or illegal nature (unsubstantiated payments)	35%

Individual tax (Imposto sobre as Rendimentos das Pessoas Singulares - IRPS)

Resident individuals are taxed on their world-wide income whilst non-residents are taxed on their Mozambique sourced income.

Income is taxed under separate schedules for:

- employment
- trade and business
- capital gains
- real estate
- other income

The top marginal rate is 32%.

Value Added Tax (Imposto sobre o Valor Acrescentado - IVA)

VAT is chargeable on the supply of goods and services in Mozambique as well as upon the importation of goods.

Exemptions from VAT include certain education, health and banking activities as well as supplies related to certain public benefit organisations.

The standard rate of VAT is 17% but subject to a number of exceptions, including:

- zero rating of qualifying exports
- a fractional rate for items subject to a fixed pricing regime, such as fuel
- a 5% rate under a simplified system whereby the supplier is denied input credits

Double Taxation Agreements

Comprehensive double taxation agreements are in force with Italy, Mauritius, Portugal, United Arab Emirates, South Africa and Macau.

Estate Duty / Donations Tax

The rate varies between 2 and 10% depending on the closeness of the relationship to the beneficiary / donee. For example, payments to direct descendants would attract tax at 2%, whereas payments to unrelated parties would attract tax at 10%.

RETENTION OF RECORDS

Set out below is a summary of certain recommended or statutory retention periods:

	Retention Period (years)
	Originals
Books of prime entry	
• Cash books, creditors ledgers, debtors ledgers, fixed asset registers, general ledgers, petty cash books, purchase journals, sales journals, stock records, as well as supporting documentation to such records and annual financial statements.	15
• Cheques, stock sheets (listed companies)	6
• Costing records, creditors' invoices and statements.	5
• AFS working papers, bank statements and vouchers, cheques, deposit slips, debtors' statements, purchase orders and invoices, rail and shipping documents, sales invoices, stock sheets, etc.	4
Employee Records	
• Expense accounts, employee tax returns etc.	4
• Workmen's Compensation documents.	3
• Accident books and records, payrolls, staff records, wage and salary records.	7
Companies and close corporations	
• Certificates of change of name, incorporation and to commence business, founding statements, amended founding statements, memorandum and articles of association, minute books, general and special resolutions.	Permanently
• Company registers, including branch registers, registers of directors' attendance, debenture holders, directors and officers, directors' interests, members' pledges and mortgages.	15
Share Registration Records	
• Return of allotments, register of allotments.	15
• Indemnity for lost share certificate.	Permanently
• Cancelled share transfer forms.	12
• Dividend payment list.	15
Agreements and Contracts	
• Significant agreements.	Indefinitely

RETENTION OF RECORDS (continued)

	Retention Period (Years)
	Originals
Other Documents	
Customs and Excise Act	
• Documentation for export incentive scheme claims.	5
• Other shipping documents.	2
Compensation for Occupational Injuries and Diseases Act	
• Records of wages paid, time and piece work and overtime records, accident records, etc.	7
Insolvency Act	
• The insolvent's records of his transactions.	3
• Trustees' records - after rehabilitation.	5
Occupational Health and Safety Act	
• A copy of the Act; an incident register, factory register, certificate of compliance (electrical) etc.	Permanently
• Record of employees exposed to asbestos fibres.	50
Value Added Tax Act	
• Books of account, records of the supply of goods to or by the vendor; invoices; tax invoices; credit and debit notes; bank statements; deposit slips; stock lists and paid cheques.	5
Information in book form – 5 years from last entry.	
Computerised records must be kept in printout form, not just on disk or tape.	
Capital Gains Tax	
All records relating to capital transactions	
• If a person is not required to render tax returns - from the date of disposal.	5
• For taxpayers - from the date of receipt by SARS of the relevant tax return.	4
Income Tax Act	
• Accounting records from date of receipt by SARS of the returns incorporating the information.	4
Microfilmed Records	
• Microfilmed record of an original reproduced directly by the camera ('the camera master')	Permanently
• If a microfilm copy, certified as required by statute, has been made, original records may be destroyed after 3 years.	

TAX TIMETABLE 2010

Description	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Provisional taxes:												
Individuals		26 (2nd)						31 (1st)	30 (3rd)			
Trusts		26 (2nd)						31 (1st)	30 (3rd)			
Companies & CCs												
Dec year-end						30 (1st/3rd)						31 (2nd)
Jan year-end	30 (2nd)						30 (1st/ 3rd)					
Feb year-end		26 (2nd)						31 (1st)	30 (3rd)			
Mar year-end			31 (2nd)						30 (1st/3rd)			
Apr year-end				30(2nd)						29 (1st/3rd)		
May year-end					31 (2nd)						30 (1st/3rd)	
Jun year-end						30 (2nd)						31 (1st/3rd)
Jul year-end	30 (1st/3rd)						30 (2nd)					
Aug year-end		26 (1st/3rd)						31 (2nd)				
Sep year-end			31 (1st/3rd)						30 (2nd)			
Oct year-end				30 (1st/3rd)						29 (2nd)		
Nov year-end					31 (1st/3rd)						30 (2nd)	
PAYE	7	5	5	7	7	7	7	6	7	7	5	7
VAT	25	25	25	23	25	25	23	25	23	25	25	24
UIF	7	5	5	7	7	7	7	6	7	7	5	7
STC	By the last business day of the month following the month in which the dividend accrues											
Withholding tax on royalties	Within 14 days of month end i.e. the last Friday within the 14-day period in which royalty liability was incurred											
Tax returns (without extension):												
Individuals and trusts												
Companies and CCs									18(m)			20 (e)
- Dec year-end		26										
- Feb year-end				30								
- Jun year-end									30			
IRP5 certificates - issue date				30								
IRP5 certificates - reconciliation date				30								

m=manual e=e-filing

PRIME BANK OVERDRAFT RATES

Effective Date	Rate %
14.08.2009	10.50
29.05.2009	11.00
04.05.2009	12.00
25.03.2009	13.00
06.02.2009	14.00
12.12.2008	15.00
13.06.2008	15.50
11.04.2008	15.00
07.12.2007	14.50
12.10.2007	14.00
17.08.2007	13.50
08.06.2007	13.00
08.12.2006	12.50
13.10.2006	12.00
03.08.2006	11.50
08.06.2006	11.00
15.04.2005	10.50
16.08.2004	11.00
18.12.2003	11.50
20.10.2003	12.00
16.09.2003	13.50
14.08.2003	14.50
12.06.2003	15.50
13.09.2002	17.00
14.06.2002	16.00
14.03.2002	15.00
15.01.2002	14.00
25.09.2001	13.00
16.07.2001	13.50
18.06.2001	13.75
14.01.2000	14.50
04.10.1999	15.50
02.08.1999	16.50
19.07.1999	17.00
14.07.1999	17.50
25.06.1999	18.50
19.04.1999	19.00
09.03.1999	20.00
13.02.1999	21.00
08.01.1999	22.00
07.12.1998	23.00
09.11.1998	23.50
19.10.1998	24.50
31.08.1998	25.50
31.12.1948	4.50

COMPARATIVE RATES

Companies Income Tax

Years of assessment ending on or after	Rate
1 April 1993	40%
1 April 1994	35%
1 April 1998	30%
1 April 2005	29%
1 April 2008	28%

Branches of Foreign Companies

Years of assessment ending on or after	Rate
1 April 1996	40%
1 April 1999	35%
1 April 2005	34%
1 April 2008	33%

STC

	Rate
Dividends declared on or after 17 March 1993	15%
Dividends declared on or after 22 June 1994	25%
Dividends declared on or after 14 March 1996	12.5%
Dividends declared on or after 1 October 2007	10%

To be replaced by a dividend withholding tax at 10% on a date to be announced

SARS Interest Rates (prescribed rates)

Date from	Interest payable on outstanding taxes	Interest receivable on overpayment of provisional tax
1 September 2003	14%	10%
1 October 2003	13%	9%
1 December 2003	11.5%	7.5%
1 November 2004	10.5%	6.5%
1 November 2006	11%	7%
1 March 2007	12%	8%
1 November 2007	13%	9%
1 March 2008	14%	10%
1 September 2008	15%	11%
1 May 2009	13.5%	9.5%
1 July 2009	12.5%	8.5%
1 August 2009	11.5%	7.5%
1 October 2009	10.5%	6.5%

Acceptable rates on employee loans for fringe benefit purposes (official rates)

Date	Rate
1 September 2003	12%
1 December 2003	9.5%
1 March 2004	9%
1 September 2004	8.5%
1 September 2005	8%
1 September 2006	9%
1 March 2007	10%
1 September 2007	11%
1 March 2008	12%
1 September 2008	13%
1 March 2009	11.5%
1 June 2009	9.5%
1 July 2009	8.5%
1 September 2009	8%

NOTES

NOTES

Whilst every effort has been made to present the most current, correct and clearly expressed information possible, inadvertent errors can occur and are subject to change. The information is intended to serve as a general guideline and may not apply directly to specific circumstances. Nothing in this publication should be construed as advice and professional advice should be sought before acting thereupon.

Copyright of this publication rests with BDO Southern African Coordination (Pty) Ltd. All rights reserved. Copying of this information, in whole or in part, is prohibited without prior written permission.



OUR SERVICES

- Audit and Assurance Services
- Accounting Services
- Tax Services
- Secretarial Services
- Advisory Services
- Fiduciary Services
- Business and Management
- Consulting Services
- Internal Audit Services
- Equity Valuations
- Forensic Investigations



'Your Partner in Business'

www.logista.co.za

Independent Member of BKR International.

BKR
INTERNATIONAL