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## *Budget in a Nutshell*

*2011 / 2012*

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## 1. In Short!

IN SHORT	THIS YEAR	LAST YEAR
<b>Income Tax Threshold increased :</b>		
Below the age of 65	R59 750.00	R57 000.00
Aged 65 and over	R93 150.00	R88 528.00
Aged 75 and over	R104 261.00	-
<b>Tax rebates increased :</b>		
Primary (for everyone)	R10 755.00	R10 260.00
Secondary	R6 012.00	R5 675.00
Third	R2 000.00	-
<b>Top margin tax bracket :</b>	R580 000.00 40%	R552 000.00 40%
<b>Tax-free interest income increased :</b>		
Below the age of 65	R22 800.00	R22 300.00
Aged 65 and over	R33 000.00	R32 000.00
<b>Social pensions increased :</b>	R1 140.00	R1 080.00 a month
<b>Monthly child support :</b>	R260.00	R250.00 a month
<b>Foster Care Grant :</b>	R740.00	R710.00 a month

## 2. Personal Income Tax Rate & Bracket Adjustments

THIS YEAR (2011/2012)	
TAXABLE INCOME (in Rands)	RATES OF TAX
0 – 150 000	18% of taxable income
150 001 – 235 000	R 27 000 + 25% of the amount above R150 000
235 001 – 325 000	R 48 250 + 30% of the amount above R235 000
325 001 – 455 000	R 75 250 + 35% of the amount above R325 000
455 001 – 550 000	R 120 750 + 38% of the amount above R455 000
580 001 and above	R 168 250 + 40% of the amount above R580 000

### 3. Income Tax Payable 2011 / 2012

#### 3.1. Tax Payers YOUNGER than 65 years

Taxable Income	2010/2011	2011/2012	2011/2012 Saving per Annum
60 000	540	45	495
65 000	1 440	945	495
70 000	2 340	1 845	495
75 000	3 240	2 745	495
80 000	4 140	3 645	495
85 000	5 040	4 545	495
90 000	5 940	5 445	495
100 000	7 740	7 245	495
120 000	11 340	10 845	495
150 000	17 440	16 245	1 195
200 000	29 940	28 745	1 195
250 000	43 890	41 995	1 895
300 000	58 890	56 995	1 895
400 000	93 640	90 745	2 895
500 000	130 710	127 095	3 615
750 000	229 670	225 495	4 175
1 000 000	329 670	325 495	4 175

#### 3.2. Tax Payers OLDER than 65 years but below 75 years

Taxable Income	2010/2011	2011/2012	2011/2012 Saving per Annum
90 000	265	-	265
100 000	2 065	1 233	832
120 000	5 665	4 833	832
150 000	11 765	10 233	1 532
200 000	24 265	22 733	1 532
250 000	38 215	35 983	2 232
300 000	53 215	50 983	2 232
400 000	87 965	84 733	3 232
500 000	125 035	121 083	3 952
750 000	223 995	219 483	4 512
1 000 000	323 995	319 483	4 512

### 3.3. Tax Payers OLDER than 75 years

Taxable Income	2010/2011	2011/2012	2011/2012 Saving per Annum
100 000	2 065	-	-
120 000	5 665	2 833	2 832
150 000	11 765	8 233	3 532
200 000	24 265	20 733	3 532
250 000	38 215	33 983	4 232
300 000	53 215	48 983	4 232
400 000	87 965	82 733	5 232
500 000	125 035	119 083	5 932
750 000	223 995	217 483	6 512
1 000 000	323 995	317 483	6 512

## 4. Other Useful Information

### 4.1. Skills Development Levy & Unemployment Insurance Fund

- 1% of Payroll as from 1 April 2001 (no change for 2011 / 2012)
- Employers whose remuneration paid to employees is less than R500 000 per annum are exempt from paying SDL as from 1 August 2005 (no change for 2011 / 2012).
- Unemployment Insurance Fund (UIF) 1% Employee and 1% Employer up to the maximum earnings ceiling of **R149 736.00** per annum. This will change sometime during the 2011 / 2012 year.

### 4.2. Retirement Annuity Fund Contributions

- The deductible amount is the greater of:
  - 15% of non-pensionable net income (including investment income);
  - **R3 500** less pension fund contributions
  - **R1 750**
- Arrear Retirement Annuity Fund Contribution:
  - maximum of **R1 800** per annum. Any excess over R1 800 may be carried forward to the following year of assessment.
- Major changes expected from March 2012.

### 4.3. Pension Fund Contributions

- The greater of:
  - 7,5% of pensionable earnings may be deducted;
  - **R1 750**
- Arrear Pension Fund Contribution :
  - maximum of **R1 800** per annum. Any excess over R1 800 may be carried forward to the following year of assessment.
- Major changes expected from March 2012.

#### 4.4. Donations to Universities, Technikons, Schools and Approved Organisations

- 10% of taxable income before deducting medical expenses

#### 4.5. Medical & Physical Disability Expenses

- Taxpayers 65 and older may claim all qualifying expenditure.
- Taxpayers under 65 are not taxed on, or may deduct, monthly contributions to medical schemes up to **R720** for each of the first two dependants on their medical scheme and **R440** for each additional dependant. In addition they can claim a deduction for medical scheme contributions above the caps and any other medical expenses limited to the amount which exceeds 7.5 % of taxable income.
- Taxpayers under 65 may claim all qualifying medical expenses, where the taxpayer or the taxpayer's spouse or child is a handicapped person.

#### 4.6. Subsistence Allowance

Allowance and advances :

- Where the recipient is obliged to spend at least one night away from his/her usual place of residence on business and the accommodation to which that allowance or advance relates is in the Republic and the allowance or advance is paid or granted to pay for :
  - meals and incidental costs, and amount of **R286** per day is deemed to have been expended;
  - Incidental costs only, an amount of **R88.00** for each day which falls within the period is deemed to have been expended.
- Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed (see SARS table)

#### 4.7. Estate Duty & Donations Tax

- On or after 14 March 1996                    **25%**
- On or after 1 October 2001                **20%**

#### 4.8. Tax on Retirement Funds

- 0% effective March 2007
- Will change in 2012.

#### 4.9. Corporate Tax Rates

Rates of normal company tax are as follows :

Type of Company / Organisation	2011 / 2012 Percentage
Companies and Closed Corporations	28%
Employment Companies (Personal Service Providers)	33%
Branch profits tax (foreign resident companies)	33%
Small businesses :	
First R59 750 of taxable income	0%
R59 751 to 300 000 of taxable income	10% of the amount above R59 750
R300 001 and above of taxable income	24 025 + 28% of the amount above 300 000

**4.10. Capital Gains Tax**

Capital gains on the disposal of assets are included in taxable income.

Maximum effective rate of tax :	2011 / 2012 Percentage
Individuals	10%
Companies	14%
Trusts	20%

Events that trigger a disposal include a sale, donation, exchange, loss, death and emigration.

The following are some of the specific exclusions :

- **R1.5 million** gain/loss on the disposal of a primary residence (R2 million or less)
- most personal use assets
- retirement benefits
- payments in respect of original long-term insurance policies
- annual exclusion of **R20 000** capital gain or capital loss is granted to individuals and special trusts
- exclusion on death of **R200 000**
- small business exclusion for individuals of **R900 000**

**4.11. Residence – based taxation**

The residence-based system of taxation applies with effect from years of assessment commencing on or after 1 January 2001.

**4.12. Value Added Tax**

Standard rate on or after 7 April 1993 (no change this year) : **14%**

**4.13. Official Rates**

The Minister of Finance set the deemed interest rate for purposes of calculating the taxable value of various loans as follows:	
1 December 1998	19%
1 May 1999	16%
1 September 1999	14.5%
1 March 2000	13%
1 October 2001	10.5%
1 September 2002	13.5%
1 March 2003	14.5%
1 December 2003	9.5%
1 September 2004	8.5%
1 September 2006	9.0%
1 March 2008	12%
1 September 2008	13%
1 September 2009	8%
1 October 2010	7%

#### 4.14. Travelling Allowance

Rates per kilometre which may be used in determining the allowable deduction for business travel, where no records of actual cost are kept.

Value of the vehicle (including VAT) (R)	Fixed Cost (R p.a.)	Fuel Cost (c/km)	Maintenance Cost (c/km)
0 – 60 000	19 492	64.6	26.4
60 001 – 120 000	38 726	68.0	29.2
120 001 – 180 000	52 594	71.3	31.9
180 001 – 240 000	66 440	77.7	35.0
240 001 – 300 000	79 185	87.0	44.7
300 001 – 360 000	91 873	93.9	54.2
360 001 – 420 000	105 809	100.9	65.8
420 001 – 480 000	119 683	113.1	67.6
Exceeding 480 000	119 683	113.1	67.6

**Note :**

- **80%** of the travelling allowance must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to **20%** if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- No fuel cost may be claimed if the employee has not borne the full cost of fuel used in the vehicle and no maintenance cost may be claimed if the employee has not borne the full cost of maintaining the vehicle (e.g. if the vehicle is the subject of a maintenance plan).
- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.
- The actual distance travelled during a tax year and the distance travelled for business purposes substantiated by a log book are used to determine the costs which may be claimed against a travelling allowance.

Alternatively:

- Where the distance travelled for business purposes does not exceed **8 000 kilometres** per annum, no tax is payable on an allowance paid by an employer to an employee up to the rate of **305 cents** per kilometre, regardless of the value of the vehicle.
- This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.

#### 4.15. Fringe Benefits

##### 4.15.1. Employer-owned Vehicles

- The taxable value is **3,5%** of the determined value (the cash cost including VAT) per month of each vehicle. Where the vehicle is the subject of a maintenance plan at the time that the employer acquired the vehicle the taxable value is **3,25%** of the determined value.



- **80%** of the fringe benefit must be included in the employee's remuneration for the purposes of calculating PAYE. The percentage is reduced to **20%** if the employer is satisfied that at least 80% of the use of the motor vehicle for the tax year will be for business purposes.
- On assessment the fringe benefit for the tax year is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year.
- On assessment further relief is available for the cost of licence, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the employee and if the distance travelled for private purposes is substantiated by a log book.

**4.16. Transfer Duty**

Transfer duty is payable at the following rate on transactions which are not subject to VAT –

Acquisitions of property by natural persons :

Value of Property (R)	Rate
0 – 600 000	0%
600 001 – 1 000 000	3% of the value above R600 000
1 000 001 – 1 500 000	R12 000 + 5% of the value exceeding R1 000 000
1 500 001 and above	R37 000 + 8% of the value exceeding R1 500 000

Acquisitions of property by persons other than natural person : 8% of the value

**4.17. Useful Tax Calendar**

When various payments are due:	
STC	last day of the month following the month in which the dividend cycle ends.
VAT	<b>25th</b> day after end of the tax period (last working day if you are an e-Filer)
PAYE	<b>7th</b> day of each following month
SDL	<b>7th</b> day of each following month

If any of the above dates fall on a weekend or a public holiday, payment must be made on the immediately preceding working day.

# **END OF DOCUMENT**

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