

# Budget Speech 2017/2018

All you need to know

February 2017

## Tax Tables 2017/2018

### Income tax: Individuals and Trusts

Tax rates (year of assessment ending 28 February 2018)

Taxable Income		Rates of Tax
0 - 189 880		18 % of taxable income
189 881 - 296 540	34 178	+ 26% of taxable income above 189 880
296 541 - 410 460	61 910	+ 31% of taxable income above 296 540
410 461 - 555 600	97 225	+ 36% of taxable income above 410 460
555 601 - 708 310	149 475	+ 39% of taxable income above 555 600
708 311 - 1 500 000	209 032	+ 41% of taxable income above 708 310
1 500 001 and above	533 625	+ 45% of taxable income above 1 500 000

### Rebates

Primary Rebate	R13 635
Secondary (Persons 65 and older)	R7 479
Tertiary (Persons 75 and older)	R2 493

### Tax Thresholds

The tax thresholds at which liability for normal tax commences, are:	
Persons under 65	R75 750
Persons of 65 - 74 years	R117 300
Age 75 and older	R131 150

## Medical Tax Credits (Mtc)

Main member	R303
First dependant	R303
Each additional dependant	R204

## Subsistence Allowances 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 is granted to pay for:

- meals and incidental costs, an amount of R397 per day is deemed to have been expended;
- incidental costs only, an amount of R122 for each day.

The rate for foreign travel will be gazetted soon and can be found on [www.sars.gov.za](http://www.sars.gov.za) under the Legal and Policy tab.

## Table for Calculation of Rate per km/Travel Allowance

Value of the vehicle (including VAT)	Fixed cost	Fuel cost	Maintenance cost
(R)	(R p.a)	(c/km)	(c/km)
0 - 85 000	28 492	91.2	32.9
85 001 - 170 000	50 924	101.8	41.2
170 001 - 255 000	73 427	110.6	45.4
255 001 - 340 000	93 267	118.9	49.6
340 001 - 425 000	113 179	127.2	58.2
425 001 - 510 000	134 035	146.0	68.4
510 001 - 595 000	154 879	150.9	84.9
exceeding 595 000	154 879	150.9	84.9

## Prescribed Rate for Reimbursive Kilometres

The SARS prescribed rate per kilometer increased from R3.29 to R3.55.

## Personal Service Provider

A Personal Service Provider is taxed at a rate of:

- 28% for a Personal Service Provider company (remain unchanged) and
- 45% for a Personal Service Provider trust (previously 41%).

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The background of the top half of the page features a photograph of a man with a beard and short hair, wearing a dark blue sweater. He is smiling and looking towards the right. The background behind him is a blurred brick wall.

# **Budget Speech 2017/2018**

## *All you need to know*

### **The Taxation Laws Amendment Act, 2016 & the Tax Administration Laws Amendment Act, 2016**

#### **Introduction**

The Taxation Laws Amendment Act, 2016 as well as the Tax Administration Laws Amendment Act, 2016 was promulgated on 19 January 2017. Here is a summary of the most important changes affecting payroll.

#### **Remuneration Proxy**

From March 2017, 'remuneration proxy' will be remuneration defined in paragraph 1 of the Fourth Schedule of the Income Tax Act, and will only exclude the residential accommodation fringe benefit value when calculating the residential accommodation fringe benefit.

Remuneration proxy will include the residential accommodation fringe benefit value when calculating:

- the tax exemption for bursaries granted to a relative of an employee by an employer and
- the acquisition of immovable property.

#### **Employer Provided Bursaries**

The exemption thresholds for bursaries granted by the employer (or associated institution in relation to the employer) to a relative of an employee have increased to the following amounts:

- The scholarship or bursary is not exempt if the remuneration proxy exceeds R400 000 (changed from R250 000).
- If the remuneration proxy does not exceed R400 000 (changed from R250 000), then the first R15 000 (changed from R10 000) of a scholarship or bursary in respect of grade R to grade twelve or a qualification to which an NQF level from 1 up to and including 4 has been allocated is exempt from normal tax.
- If the remuneration proxy does not exceed R400 000 (changed from R250 000), then the first R40 000 (changed from R30 000) of a scholarship or bursary in respect of a qualification to which an NQF level from 5 up to and including 10 has been allocated is exempt from normal tax.

The new thresholds must be backdated to March 2016.

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## Directors Deemed Remuneration

From March 2017, deemed remuneration will be repealed and directors of private companies (and members of closed corporations) will only be taxed on their actual remuneration.

## Retirement Funding Income (RFI) Definition

From March 2017, RFI will be defined as income (taxable earnings + taxable perks + taxable company contributions), however it will include the full value of a travel allowance, company car fringe benefit and a public office allowance on which the employer or pension fund or provident fund contribution towards the pension/provident fund is based on.

To clarify the amended legislation:

- RFI will include 100% of a travel allowance or use of a motor vehicle fringe benefit, and 100% of a public office allowance and not only the taxable value anymore.
- To ensure RFI is calculated (if applicable), when the fund itself contributes on behalf of the members/employees, to the fund. This means there will also be a fringe benefit amount even though it is the fund that actually contributes.

Example:

Pension Employer contribution is based on Salary and Travel (80% taxable):

Description	Total earnings of employee	RFI (before March 2017)	RFI (from March 2017)
Salary	R20 000	R20 000	R20 000
Travel (80% taxable)	R2 000	R1 600	R2 000
Bonus	R50 000		
Total	R72 000	R21 600	R22 000

## Certain Dividends Included in Remuneration

The definition of remuneration was expanded to include certain dividends from restricted equity instruments. Effective March 2017, PAYE should be withheld from dividends as specified in paragraph (dd), (ii) and (jj) of the proviso of section 10(1)(k)(i) of the Income Tax Act.

## Disallowing the tax exemption for Local Fund Lump Sums and Annuities

Currently the Act makes provision to exempt receipts of retirement benefit amounts that accrue to the employee during a period of employment outside South Africa, irrespective of where the fund is registered, even though the employee is eligible to receive a tax deduction on contributions made to a South African retirement fund. From March 2017, retirement benefits received by South African residents are only exempt from tax if it is paid by a foreign retirement fund.

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This will apply to retirement funds other than a “pension fund”, “pension preservation fund”, “provident fund”, “provident preservation fund” and/or “retirement annuity” as defined in section 1 of the Income Tax Act.

## **Employment Tax Incentive (ETI) changes**

The Taxation Laws Amendment Act, 2016, extends ETI for another two years, ending on 28 February 2019. The wording of the Act was changed from ‘employed’ to ‘employed and remunerated’ and therefore clarified which hours should be used to determine the:

- monthly remuneration;
- the gross-up of the wage if no wage regulating measure is applicable and
- the calculation of the ETI amount.

The hours to be used in the three calculations as mentioned above, will be all employed hours (ordinary hours), including additional hours (such as overtime, hours worked on a Sunday or Public Holiday), but excluding any unpaid hours (such as unpaid leave, no-work-no pay hours etc.).

For more information on all the changes, please read the detailed document [here](#).

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## Sources

Taxation Laws Amendment Act, 2016

Tax Administration Laws Amendment Act, 2016

National Budget Speech, 2017

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