TAX GUIDE
2024 - 2025

Ferreira
Venter
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& Nel

Chartered Accountants (SA)
& Registered Auditors



CONTENTS

INCOME TAX TABLES 2
INTEREST RATES 6
FOREIGN EXCHANGE ALLOWANCES 6
CONNECTED PERSONS RULES 8
WEAR AND TEAR ALLOWANCES 8
RESIDENTS 10
Residency test 10
Ceasing to be a tax resident 10
South African interest 11
Foreign interest 11
South African dividends 12
Foreign dividends 12
Tax-free investments 12
Arbitration awards 13
Restraint of trade receipts 13
Foreign trading activities 13
Foreign employment income 13
Foreign lump sum, pensions and annuities 14
Unemployment insurance, death and other compensation benefits 14
NON-RESIDENTS 14
Business income 15
Dividend income 15
Interest income 15
Rental income on fixed property 15
Rental income on moveable property 15
Remuneration and fees 15
Royalties 15
Foreign entertainers and sportspersons 15
Disposal of fixed property by non-residents 15
Service fees paid to non-residents 16
Withholding taxes on interest and royalties 16
ALLOWANCES AND REIMBURSEMENTS 17
Travelling and car allowance 17
Reimbursive travel allowance 17
Subsistence allowance 17
Daytrip reimbursements 18
Uniform allowance 18
FRINGE BENEFITS 18
Acquisition of an asset at lower values 18
Long service awards 18
Low cost housing 18
Right of use of an asset 19
Use of company motor vehicle 19
Free or subsidised meals and refreshments 21
Residential accommodation 21
Holiday accommodation 22
Free or cheap services 22
Insurance policies 22
Low interest or interest free loans 23
Payment or release of employees' debt 23
Bursaries and scholarships 23
Relocation benefits 24
Medical aid contributions 24
Costs relating to medical services 24
Employer contributions to retirement funds 25
Share incentive schemes 25
DEDUCTIONS FOR INDIVIDUALS 25
Retirement fund contributions 25
Donations 26
Home office expenses 26
Expenditure relating to employment 27
Travel expenses 27
Deduction of interest 28
TAX CREDITS: INDIVIDUALS 28
Medical scheme fees tax credit 28
Solar energy tax credit 30
RETIREMENT BENEFITS 31
Annuities 31
Lump sums received from an employer 31
Severance benefit 31
Lump sum benefits from retirement funds .. 31
Tax on retirement fund/severance benefit .. 32
Tax on retirement fund withdrawal benefit .. 32
Tax neutral transfers to other funds 33
Exemption of qualifying annuities 33
Two-pot retirement system 33
CORPORATE TAX 35
Small business corporations 35
Personal service providers 36
Micro businesses 36
Bodies corporate 39
Trusts 39
Public Benefit Organisations 39
Recreational clubs 40
EMPLOYMENT TAXES 40
Remuneration 40
Directors of private and public companies .. 41
Variable remuneration 41
PAYE withholding obligation 42
Employment Tax Incentive (ETI) 43
Skills Development Levies (SDL) 45
Unemployment Insurance Fund (UIF) 45
Learnership allowance 46
Insurance policies 46
OTHER TAXES 47
DIVIDENDS TAX 47
VALUE ADDED TAX (VAT) 49
DONATIONS TAX 58
ESTATE DUTY 59
SECURITIES TRANSFER TAX (STT) 60
PROVISIONAL TAX 60
CAPITAL GAINS TAX (CGT) 63
GENERAL 68
Doubtful debt allowance 68
Interest free or low interest loans 69
Scientific or technological research 71
TAX ADMINISTRATION MATTERS 72
Beneficial owners 72
Lodging a complaint with the Tax Ombud 73
Tax compliance status 74
Notification of an audit 74
Request for relevant material 74
Persons who may be interviewed by SARS .. 75
Assistance during field audit 75
Issuance of assessments 75
Estimated assessments 76
Auto-assessments 76
Reduced assessments 76
Objection against assessment or decision . 77
Payment of tax 77
Liability of third parties 78
Refunds and interest 78
Delivery of documents 79
Deregistration of tax practitioners 79
Illegal use of the SARS trademark 79
PENALTIES AND INTEREST 80
Administrative non-compliance penalties 80
Percentage-based penalty 80
Remittance of penalties 81
Understatement penalties 81
Remittance of interest 82
CRIMINAL OFFENCES 82
TAX EVASION, FRAUD OR THEFT 83
VOLUNTARY DISCLOSURE PROGRAMME 84
RETENTION OF RECORDS 84
IRP5 CODES 85

INCOME TAX TABLES

Natural person or special trust: 2024/2025 (no change from prior year)

Taxable income (R)			Tax Rate				
0	-	237 100			18%		
237 101	-	370 500	42 678	+	26%	above	237 100
370 501	-	512 800	77 362	+	31%	above	370 500
512 801	-	673 000	121 475	+	36%	above	512 800
673 001	-	857 900	179 147	+	39%	above	673 000
857 901	-	1 817 000	251 258	+	41%	above	857 900
1 817 001		and above	644 489	+	45%	above	1 817 000

TAX REBATES: INDIVIDUALS

Type of rebate	2024	2025
Primary rebate: younger than 65	17 235	17 235
Secondary rebate: 65 years and older	9 444	9 444
Tertiary rebate: 75 years and older	3 145	3 145

The rebate is reduced proportionally where the period of assessment is less than 12 months.

TAX THRESHOLDS: INDIVIDUALS

Type of person	2024	2025
Younger than 65 years	95 750	95 750
65 - 74 years	148 217	148 217
75 years and older	165 689	165 689

MEDICAL SCHEME FEES TAX CREDITS PER MONTH

Type of person	2024	2025
Main member	364	364
Main member and one dependant	728	728
Additional credit per additional dependant	246	246

LOCAL INTEREST EXEMPTION: INDIVIDUALS

Type of person	2024	2025
Younger than 65 years	23 800	23 800
65 years or older	34 500	34 500
From 1 March 2023, this exemption will be reduced proportionally (based on 365/366 days) where the individual has a year of assessment of less than 12 months.		

TAX FREE INVESTMENTS: INDIVIDUALS

Tax free contribution limits	2024	2025
Annual limit*	36 000	36 000
Lifetime limit	500 000	500 000
Penalty on surplus contributions	40%	40%
*Limited to an amount of R 36 000 in aggregate for any year or years of assessment during the period of 12 months commencing in March and ending at the end of February. (From 1 March 2024)		

ESTATE DUTY TAX

Description	2024	2025
Estate duty: First R 30 million	20%	20%
Estate duty: Above R 30 million	25%	25%
Abatement for determining dutiable amount	3 500 000	3 500 000

DONATIONS TAX

Description	2024	2025
Annual exemption: Natural persons	100 000	100 000
Annual exemption: Others (subject to apportionment)	10 000	10 000
Tax rate: First R 30 million	20%	20%
Tax rate: Above R 30 million	25%	25%

The R 30 million aggregate value is determined for donations made from 1 March 2018 to date.

FRINGE BENEFITS

Type of fringe benefit or allowance	2024	2025
Subsistence allowance: Deemed expenditure per day		
South Africa: Only incidental costs	161	169
South Africa: Meals and incidental costs	522	548
Outside South Africa	Per country	Per country
Exempt bursary to relative of employee		
Remuneration proxy limit	600 000	600 000
Relative of employee - no disability		
Grade R to 12 and NQF 1 – 4	20 000	20 000
NQF 5 – 10	60 000	60 000
Relative of employee - with disability		
Grade R to 12 and NQF 1 – 4	30 000	30 000
NQF 5 – 10	90 000	90 000
Employer provided low-cost housing/loans		
Remuneration proxy limit	250 000	250 000
Limit on market value of immovable property	450 000	450 000
Employees' accommodation: "B" in formula	95 750	95 750
Accommodation: non-resident employees (monthly)	25 000	25 000
Awards for bravery and long service	5 000	5 000
Staff loans: loan limit for no value interest benefit	3 000	3 000
Reimbursive travel allowance: non-taxable	4.64	4.84
Employer-owned vehicles – Monthly determined value		
Not subject to a maintenance plan	3.5%	3.5%
Subject to a maintenance plan	3.25%	3.25%
Travel allowance/vehicle fringe benefit subject to PAYE	80%	80%
Travel allowance/vehicle fringe benefit subject to PAYE where business travel is at least 80% for the year	20%	20%
Travel allowance: actual costs		
Vehicle owned: Limit on vehicle cost and debt	800 000	800 000
Vehicle held under operating lease	Fixed cost plus fuel	

TRAVEL COSTS

Deemed expenditure – 2024/2025

Value of the vehicle (Inc Vat) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	34 480	151.7	46.0
100 001	-	200 000	61 770	169.4	57.6
200 001	-	300 000	89 119	184.0	63.5
300 001	-	400 000	113 436	197.9	69.3
400 001	-	500 000	137 752	211.8	81.5
500 001	-	600 000	163 178	243.0	95.6
600 001	-	700 000	188 653	247.1	107.3
700 001	-	800 000	215 447	251.2	118.9
800 001		and above	215 447	251.2	118.9

Deemed expenditure – 2023/2024

Value of the vehicle (Inc Vat) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	33 760	141.5	43.8
100 001	-	200 000	60 329	158.0	54.8
200 001	-	300 000	86 958	171.7	60.4
300 001	-	400 000	110 554	184.6	65.9
400 001	-	500 000	134 150	197.6	77.5
500 001	-	600 000	158 856	226.6	91.0
600 001	-	700 000	183 611	230.5	102.1
700 001	-	800 000	209 685	234.3	113.1
800 001		and above	209 685	234.3	113.1

RETIREMENT BENEFITS

Retirement fund lump sum or severance benefit tax table
Years of assessment ending 29 February 2024 and 28 February 2025

Taxable income (R)			Tax Rate				
0	-	550 000			0%		
550 001	-	770 000			18%	above	550 000
770 001	-	1 155 000	39 600	+	27%	above	770 000
1 155 001		and above	143 550	+	36%	above	1 155 000

Retirement fund lump sum withdrawal benefit tax table
Year of assessment ending 29 February 2024 and 28 February 2025

Taxable income (R)			Tax Rate				
0	-	27 500			0%		
27 501	-	726 000			18%	above	27 500
726 001	-	1 089 000	125 730	+	27%	above	726 000
1 089 001		and above	223 740	+	36%	above	1 089 000

CAPITAL GAINS TAX

Description	2024	2025
Annual exclusion: Individuals/para (a) special trusts	40 000	40 000
From 1 March 2023, this exclusion will be limited where the taxpayer has a year of assessment of less than 12 months. A maximum of R 40 000 may be utilised during a period of 12 calendar months (March to February), even if that period contains multiple years of assessment.		
Exclusion on death	300 000	300 000
Exclusion: Disposal of primary residence		
Capital gain or loss	2 000 000	2 000 000
Proceeds on disposal	2 000 000	2 000 000
Exclusion: Disposal of small business assets		
Exclusion (lifetime limit)	1 800 000	1 800 000
Limit on market value of all assets	10 000 000	10 000 000
Age to qualify for exclusion	55 years	55 years
Inclusion rates		
Individuals and all special trusts	40%	40%
Companies and other trusts	80%	80%
Effective rates		
Individuals	0% - 18%	0% - 18%
All special trusts	7.2% - 18%	7.2% - 18%
Other trusts	36%	36%
Companies	21.6%	21.6%

CORPORATE TAX RATES AND TRUSTS

Type of entity	2024	2025
Private and public companies, CC's	27%	27%
Personal service provider companies	27%	27%
Qualifying companies in a SEZ (excluding a qualifying SBC)	15%	15%
South African branch (foreign companies)	27%	27%
Public Benefit Organisations*	27%	27%
Recreational clubs**	27%	27%
Long-term insurance companies:		
• Individual policyholder fund	30%	30%
• Company policyholder, corporate and risk policy fund	27%	27%
• Untaxed policyholder fund	0%	0%
Dividends withholding tax	20%	20%
Trusts (other than special trusts)	45%	45%

* Annual trading income exemption: Highest of R 200 000 or 5% of total receipts and accruals.
**Annual trading income exemption: Highest of R 120 000 or 5% of total membership fees.

Limitation on utilising assessed loss balances carried forward
Companies with a year of assessment ending on or after 31 March 2023 have to limit the set-off of a balance of assessed losses that has been carried forward to the current year of assessment. This limit is determined as the higher of R 1 million or 80% of the taxable income in the current year of assessment.

SMALL BUSINESS CORPORATIONS

Years of assessment ending between 1 April 2023 and 31 March 2025

Taxable income (R)			Tax Rate				
0	-	95 750			0%		
95 751	-	365 000			7%	above	95 750
365 001	-	550 000	18 848	+	21%	above	365 000
550 001		and above	57 698	+	27%	above	550 000

MICRO BUSINESSES

Years of assessment ending on 29 February 2024 / 28 February 2025

Taxable turnover (R)			Tax Rate				
0	-	335 000			0%		
335 001	-	500 000			1%	above	335 000
500 001	-	750 000	1 650	+	2%	above	500 000
750 001	-	1 000 000	6 650	+	3%	above	750 000

LEARNERSHIP AGREEMENTS

Annual and completion allowance	2024	2025
Learnership agreement: without disability		
NQF 1 - 6	40 000	40 000
NQF 7 – 10	20 000	20 000
Learnership agreement: with disability		
NQF 1 – 6	60 000	60 000
NQF 7 – 10	50 000	50 000

VAT

Description	2024	2025
Compulsory registration threshold	1 000 000	1 000 000
Foreign suppliers: electronic services	1 000 000	1 000 000
Commercial accommodation threshold	120 000	120 000
Voluntary registration threshold	50 000	50 000
Payment basis registration limit	2 500 000	2 500 000
Exception: payment basis: invoice exceeds	100 000	100 000
Tax invoice - Value of supply:		
No formal tax invoice required	50	50
Abridged tax invoice	5 000	5 000
Standard rate	15%	15%
Zero rate	0%	0%

WITHHOLDING TAXES: TRANSACTIONS WITH NON-RESIDENTS

Type of transaction / entity	2024	2025
Royalty payments	15%	15%
Interest	15%	15%
Dividends tax	20%	20%
Sportspersons and entertainers	15%	15%
Sale of immovable property above R 2 million		
Natural person	7.5%	7.5%
Company	10%	10%
Trust	15%	15%

Please note: These withholding taxes may be subject to a Double Tax Agreement.

TRANSFER DUTY

1 March 2023 to 28 February 2025 (no change from prior year)

Value of the property (R)			Rate				
0	-	1 100 000			0%		
1 100 001	-	1 512 500			3%	above	1 100 000
1 512 501	-	2 117 500	12 375	+	6%	above	1 512 500
2 117 501	-	2 722 500	48 675	+	8%	above	2 117 500
2 722 501	-	12 100 000	97 075	+	11%	above	2 722 500
12 100 001		and above	1 128 600	+	13%	above	12 100 000

Payable by the purchaser within 6 months of the date of acquisition.

UNDERSTATEMENT PENALTIES

1. Standard case
2. If obstructive or if it is a 'repeat case'
3. Voluntary disclosure after notification of audit or criminal investigation
4. Voluntary disclosure before notification of audit or criminal investigation

Behaviour category	1	2	3	4
Substantial understatement	10%	20%	5%	0%
Return not completed with reasonable care	25%	50%	15%	0%
No reasonable grounds for tax position taken	50%	75%	25%	0%
Impermissible avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

FIXED AMOUNT PENALTY TABLE

Item	Assessed loss or taxable income for preceding year of assessment (R)			Monthly penalty (R)
(i)			Assessed loss	250
(ii)	0	-	250 000	250
(iii)	250 001	-	500 000	500
(iv)	500 001	-	1 000 000	1 000
(v)	1 000 001	-	5 000 000	2 000
(vi)	5 000 001	-	10 000 000	4 000
(vii)	10 000 001	-	50 000 000	8 000
(viii)	50 000 001		and above	16 000

INTEREST RATES

Prime interest rates

Date	Rate (%)	Date	Rate (%)
22 07 2022	9.00	27 01 2023	10.75
23 09 2022	9.75	31 03 2023	11.25
25 11 2022	10.50	26 05 2023	11.75

Prescribed and official interest rates

Date	Payable to SARS (%)	Payable by SARS (%)	Official rate (%)
01 07 2022	7.75	3.75	
01 08 2022			6.50
01 09 2022	8.25	4.25	
01 10 2022			7.25
01 11 2022	9.00	5.00	
01 12 2022			8.00
01 01 2023	9.75	5.75	
01 02 2023			8.25
01 03 2023	10.50	6.50	
01 04 2023			8.75
01 05 2023	10.75	6.75	
01 06 2023			9.25
01 07 2023	11.25	7.25	
01 09 2023	11.75	7.75	

In determining the taxable income derived by a person during a year of assessment, any interest payable by SARS is deemed to accrue to the person on the date on which the amount is paid.

FOREIGN EXCHANGE ALLOWANCES: RESIDENTS

Allowance	Rules and limits
Foreign Single Discretionary Allowance (SDA)	• Limit of R 1 million per calendar year • Individuals must be 18 years and older • In possession of a valid South African ID document • May be used for any legitimate purpose e.g. investments, sending of gift parcels (excluding gold or jewellery)
Export of Krugerrand coins	• Up to R 30 000 as a gift to non-residents • Subject to the completion of the SARS Custom Declaration
Travel allowance	• Individuals may use their SDA for travel purposes • Individuals under the age of 18 years qualify for a travel

	allowance of up to R 200 000 per calendar year • May not be utilised more than 60 days prior to departure • May be transferred abroad to the traveller's own bank account and/or spouse accounts, but not to a third party bank account • Minors travelling with parents may have their travel allowance transferred to their parents' bank account abroad • Unused foreign currency must be resold within 30 days to an Authorised Dealer upon return • Business travellers may retain foreign currency if the next business trip will commence within 90 days after returning from a previous business trip • Rand notes to the value of R 25 000 per person may be taken in addition to the travel allowance for visits outside the CMA
Study allowance	• Individuals may use their SDA to study abroad • Spouses accompanying students also qualify for the facility • May export household and personal effects of up to R 200 000 per student (includes jewellery, excludes motor vehicles) • Authorised Dealers may transfer the tuition and academic fees for the academic year directly to the institution concerned, against documentary evidence confirming the amount • Students younger than 18 years also qualify for a study allowance to cover costs associated with their studies abroad, as well as a travel allowance of R 200 000 per calendar year • Residents must produce to an Authorised Dealer the following before the allowance can be paid: o Documentation from the institution confirming that the student is enrolled for the period the allowance is claimed o Evidence of the tuition and academic fees in the form of a letter or prospectus from the institution concerned
Foreign Capital Allowance (FCA)	• Must be applied for through an Authorised Dealer • Limit of R 10 million per calendar year per individual • Subject to a TCS PIN verifying the taxpayer's tax compliance status and valid ID • Individuals must be 18 years and older
Residents temporarily abroad	• May use the SDA and FCA through an Authorised Dealer without returning to South Africa • Subject to a TCS PIN verifying the taxpayer's tax compliance status and requires a valid ID • The annual limits may not be exceeded • May use local debit and/or credit cards within the overall SDA limit of R 1 million per applicant during a calendar year • May further receive pension and retirement annuity income, but no other foreign currency may be availed of without the specific prior written approval of the FSD • Household and personal effects, motor vehicles, caravans, trailers, motorcycles, stamps and coins (excluding coins that are legal tender in South Africa) per family unit or single person, with a maximum insurance value of R 1 million, may be exported against the prescribed SARS Customs Declaration
Import payments via credit and/or debit cards	• Individuals with locally issued credit and/or debit cards are permitted to make foreign currency payments for small transactions (e.g. imports over the internet) • Payments are limited to R 50 000 per transaction • Any single transaction exceeding R 50 000 may not be split to circumvent the limit to this dispensation
Import payments via an Authorised Dealer in foreign exchange	• Importers may purchase foreign currency for payment of imports via an Authorised Dealer • Where an import permit is required, importers must ensure that it is obtained from ITAC • Payments for imports must be supported with the following: o Commercial invoices issued by the supplier

	○ Transport documents evidencing transport of the relevant goods to South Africa ○ Freight Forwarders Certificate of Receipt or Freight Forwarders Certificate of Transport ○ Copy of the prescribed SARS Customs Declaration • All documentation must be retained for at least five years • Where goods have already been paid for, and have not been or will not be consigned to South Africa within four months from payment, the importer must within 14 days of the expiry of those four months advise the Authorised Dealer of this fact

CONNECTED PERSONS RULES: INCOME TAX

Type of person	Connected persons
Natural person	• Any spouse or relative within the third degree of kinship, including adopted children/parents.
Trust	• Any beneficiary of the trust. • Any connected person in relation to a beneficiary. • Any person connected to the trust is also connected to any other person that is connected to the same trust.
Member of a partnership	• Any other member of the partnership. • Any connected person in relation to any member.
Close Corporation	• Any member. • Any relative of or trust connected to the member. • Any other close corporation which is connected to one of the members, their relatives or connected trusts.
Company	• Any other company in the same group of companies, where the group contains a controlling group company that: ○ Directly holds more than 50% of the equity shares or voting rights in at least one controlled group company; and ○ Directly or indirectly holds more than 50% of the equity shares or voting rights in each controlled group company. • Any person (excluding companies) that holds, alone or together with their connected persons, 20% or more of the equity shares or voting rights. • Any company that holds 20% or more of the equity shares or voting rights, but only if no other shareholder holds the majority of voting rights in the company. • Any other company managed or controlled by a connected person of this company.

WEAR AND TEAR AND CAPITAL ALLOWANCES

Type of asset	Allowance
Farming equipment (new or second-hand)	• Brought into use for the first time: 50%:30%:20% • Excludes office furniture and equipment, caravans, motor vehicles with the sole or primary function of conveying passengers, and aircrafts • Includes aircrafts used solely or mainly for crop-spraying
Renewable energy (new or second-hand)	• Brought into use for the first time to generate solar electricity: 50%:30%:20% • Assets generating solar energy of less than 1MW: 100% • Cannot claim if already claimed under the Temporary Expanded Renewable Energy Incentive (12BA) or the Solar Energy Tax Credit (6C)
Temporary expanded renewable energy incentive (with effect from 1 March 2023)	• An enhanced deduction is provided for new and unused machinery, plant, implements, utensils, or articles used in the production of renewable energy. • The deduction applies to assets owned or acquired by the taxpayer for the purpose of their trade and brought into use for the first time by the taxpayer between 1 March 2023 and 28 February 2025.

	• The assets must be used for generating electricity in the Republic from wind power, photovoltaic or concentrated solar energy, hydropower or biomass comprising organic wastes, landfill gas or plant material. • The deduction is calculated as 125% of the cost incurred by the taxpayer for the acquisition of the asset. • The cost is determined based on the lesser of the actual cost to the taxpayer or the cost that would have been incurred under an arm's length cash transaction, including the direct cost of the installation or erection thereof and the cost of any foundation or supporting structure. • If machinery or equipment is attached to a foundation or structure designed for it and constructed to be integrated with it, and the foundation's useful life is limited to the machinery's useful life, then the foundation is considered part of the machinery. • The deduction is not allowed for assets where ownership is retained by the taxpayer as a seller in terms of an instalment credit agreement or for assets brought into use after 28 February 2025. • If a taxpayer sells the assets before 1 March 2026, then 25% of the cost of that asset, must be added to the taxpayer's income. This is in addition to any amounts already included as a recoupment under the normal recoupment rules, but the total inclusion is limited to the overall amount previously allowed as a deduction for that asset. • This provision came into operation on 1 March 2023, and applies to assets brought into use on or after that date.
Manufacturing assets	• Second-hand: Brought into use for the first time in the taxpayer's trade: 20% over 5 years • New or unused: 40%:20%:20%:20%
Research and development	• New or unused: Plant and machinery acquired and brought into use for the first time after 1 January 2012: 50%:30%:20% • Buildings used wholly or mainly for research and development: 5% annual allowance
Small business corporations	• New or used plant and machinery brought into use for the first time in a manufacturing or similar process: 100% • Other depreciable assets: Normal wear and tear rates or 50%:30%:20% at the election of the taxpayer • Cannot claim if already claimed under the Temporary Expanded Renewable Energy Incentive.
Special Economic Zones (ceases 1 January 2031)	• New and unused buildings used wholly or mainly for the production of income within the SEZ: 10% per year • Excludes the provision of residential accommodation
Industrial buildings	• Used wholly or mainly in a manufacturing or similar process: 5% per year
Urban Development Zones	• New buildings, extensions, and additions: 20% initial allowance and 8% thereafter per year, for 10 years • Improvements: 20% straight line • Applies on buildings taken into use up until 31 March 2025
New and unused commercial buildings	• Used wholly or mainly for the production of income: 5% per year • Excludes the provision of residential accommodation
Residential units	• New and unused residential units used solely for the taxpayer's trade: 5% per year • Required to own at least 5 units in South Africa which are used for the taxpayer's trade

Other capital assets may be depreciated on the straight-line basis over their expected useful lives. SARS has indicated certain periods which will be acceptable in Interpretation Note 47.

These include the following write-off periods (in years):

Air conditioners (window type)	6	Motorcycles	4
Air conditioners (room unit)	10	Office equipment (electronic)	3
Aircraft (light passenger)	4	Office equipment (mechanical)	5
Carports	5	Packaging equipment	4
Cash registers	5	Passenger cars	5
Cell phones	2	Photocopying equipment	5
Computers (personal)	3	Power tools (hand-operated)	5
Computer tablets	2	Security systems (removable)	5
Computer software (purchased)	3	Shop fittings	6
Computer software (self-developed)	5	Solar energy units	5
Delivery vehicles	4	Telephone equipment	5
Fire extinguishers (loose units)	5	Trailers	5
Furniture and fittings	6	Trucks (heavy duty)	3
Garden irrigation equipment (movable)	5	Warehouse racking	10
Generators (portable)	5	Water tanks	6
Kitchen equipment	6	Workshop equipment	5

If an asset has a cost of less than R 7 000, it may be written off in full in the year of assessment when brought into use.

RESIDENTS

Residency test

Residents of South Africa are taxed on their worldwide income. To be a tax resident, an individual must be either "ordinarily resident" (as per Interpretation Note 3) or "physically present" in South Africa during the year of assessment.

An individual who is not ordinarily resident in South Africa will be a tax resident under the physical presence test if that individual has been present in South Africa:

- For more than 91 days in total during the relevant year of assessment and during each of the preceding 5 years of assessment; and
- For more than 915 days in total during the 5 years preceding the relevant year of assessment.

Individuals who are outside of South Africa for 330 continuous full days, will no longer be tax resident under the physical presence test, retrospectively from the day they left South Africa.
A person other than a natural person will be a tax resident if it is incorporated, established, or formed in South Africa, or has its place of effective management in South Africa.

The definition of a resident excludes any person who is deemed to be exclusively a resident of another country, in terms of a double tax agreement, even if one of the other residency tests apply.

Ceasing to be a tax resident

Persons other than companies

Event	Tax implications
Deemed disposal	All assets (unless excluded) at market value to a resident on the date immediately before the day of ceasing residency.
Deemed reacquisition	All assets (unless excluded) at market value on the day of ceasing residency.
Assets excluded	• Immovable property situated in South Africa; • Assets effectively connected to a permanent establishment in South Africa;

	• Section 8B qualifying equity shares granted less than 5 years before ceasing residency; • Section 8C equity instruments not yet vested when ceasing residency; • Section 8A rights to acquire marketable securities.
End of year of assessment	On the date immediately before the day of ceasing residency.
Commencement of succeeding year of assessment	On the day of ceasing residency.

Company

Event	Tax implications
Deemed disposal	All assets (unless excluded) at market value to a resident on the date immediately before the day of ceasing residency.
Deemed reacquisition	All assets (unless excluded) at market value on the day of ceasing residency.
Assets excluded	• Immovable property situated in South Africa; • Attributable to a permanent establishment in South Africa.
End of year of assessment	On the date immediately before the day of ceasing residency.
Commencement-succeeding year of assessment	On the day of ceasing residency.
Deemed dividend *in specie* declared to shareholders in accordance with their effective shareholding	Deemed to have declared and paid this dividend on the date immediately before ceasing residency. This dividend is valued at the difference between: • The market value of shares in that company on that date; and • The total value of the contributed tax capital of all the classes of shares in the company on that date.
Deemed dividend *in specie* that is exempt from dividends tax	If a person holds at least 10% of the equity shares and voting rights in a company that ceases to be a resident, and the deemed dividend *in specie* declared by that company as above is exempt from dividends tax, that person is deemed to have: • Disposed of those shares to a resident at their market value on the day before that company ceases residency; and • Reacquired those shares at market value on the day the company ceases residency.
Claw-back: previously disregarded capital gains (10% shareholding in a foreign company)	If the company had a capital gain on the disposal of equity shares within 3 years before it ceases residency and that capital gain was disregarded in terms of Paragraph 64B, it is deemed to be a net capital gain derived by the company during the year of assessment that it ceases residency.
Claw-back: exempt foreign dividends (10% shareholding)	If the company received foreign dividends within 3 years before ceasing residency and those dividends were entirely exempt from normal tax, it will be deemed to be received by or accrued to the company during the year of assessment that it ceases residency and will only be partially exempt.

Exemptions and income taxable in South Africa

South African interest

Local interest is exempt, limited to the following amounts:

Type of person	2024	2025
Younger than 65 years	23 800	23 800
65 years or older	34 500	34 500
From 1 March 2023, this exemption will be reduced proportionally (based on 365 days) where the individual has a year of assessment of less than 12 months.		

Foreign interest

Foreign interest income is taxable in the hands of residents.

South African dividends
Any dividends received by or accrued to any person from South African companies are exempt from normal income tax. Dividends paid are however subject to a final dividends tax of 20%, which is withheld by the company paying the dividend and then paid over to SARS on behalf of the taxpayer.

Dividends received for services rendered are not exempt, unless:
- The dividend is received in respect of a restricted equity instrument as envisioned in Section 8C; or
- The share is held by the employee.

Foreign dividends
Foreign dividends are fully exempt in certain circumstances:
- Where a person holds at least 10% of the equity shares and voting rights in the company declaring the foreign dividend;
- Where the shareholder is a foreign company, the dividend is paid or declared by another foreign company, and the two companies are resident in the same country;
- Dividends received by or accrued to a resident from a Controlled Foreign Company (CFC), that have already been included in the income of the resident in terms of Section 9D in relation to that CFC;
- A dividend from a foreign share listed on a South African exchange, that is not a dividend *in specie*;
- A foreign dividend received by or accrued to a resident company in respect of a foreign share listed on a South African exchange, that is a dividend *in specie*.

Foreign dividends that do not qualify for the above exemptions are subject to a maximum effective tax rate of 20%. The exemption for these dividends is calculated as follows:
- Individuals, deceased or insolvent estates, trusts: 25/45 x dividend;
- Companies: 7/27 x dividend.

Some foreign dividends are not fully or even partially exempt from tax if the foreign dividend arises from an amount that was deducted for South African income tax purposes by the payer and not taxed in the hands of the recipient. However, the above rule will not apply from 1 January 2024 if the foreign dividend is paid out of profits where less than 20% of the profits were generated from transactions with persons who deducted those transaction amounts from income for South African tax purposes.

These exemptions do not apply to foreign dividends received by or accrued to a person in respect of services rendered, unless the person holds the foreign share or it constitutes a restricted equity instrument as envisioned in Section 8C that is held by that person. The exemptions also do not apply if the dividends are paid as an annuity.
Residents may claim a foreign tax rebate for any foreign tax paid on foreign dividends, against South African tax levied on those dividends that are not fully exempt.

No deduction may be claimed for expenses incurred in the production of foreign dividend income e.g. interest paid on loans to buy foreign shares.

Tax-free investments
Any amount received by or accrued to a natural person or their deceased or insolvent estate from a tax-free investment is exempt from normal tax. Any capital gain or loss from such an investment is also disregarded. No dividends tax is payable on dividends paid on a tax-free investment.

Contribution limits

Tax free contribution limits	2024	2025
Annual limit*	36 000	36 000
Lifetime limit	500 000	500 000
*Limited to an amount of R 36 000 in aggregate for any year or years of assessment during the period of 12 months commencing in March and ending at the end of February. (From 1 March 2024)		

Individuals may transfer amounts between tax-free investments by different service providers. These transfers will not be considered when determining the annual or lifetime contribution limits.

Exempt income received on a tax-free investment that is reinvested are also not taken into account when determining excess contributions.

Penalties on excess contributions (added to normal tax liability)

Contributions	2024	2025
Exceeding R 36 000 during year of assessment*	40%	40%
Exceeding R 500 000 in aggregate	40%	40%

Arbitration awards

Arbitration awards received in respect of the relinquishment, termination, loss repudiation, cancellation, or variation of any office or employment constitute remuneration and are taxable.

Restraint of trade receipts

Restraint of trade receipts are of a capital nature. However, amounts received by or accrued to a natural person, any personal service provider, or a labour broker without an exemption certificate, as consideration for any restraint of trade imposed upon them in respect of employment or the holding of any office will be included in gross income.

Foreign trading activities

If a resident carries on a business outside of the country as a sole proprietor, the taxable income derived from such trade is determined in the same way as it would be in South Africa and must be converted into South African Rands. If the foreign trade results in a loss, such loss may be set off against other foreign trade income. The loss may not be set off against any income from a source in South Africa.

Foreign employment income

The first R 1.25 million per year of assessment of any remuneration that is received by or accrued to a resident employee for services rendered outside South Africa for or on behalf of any employer, is exempt from normal tax, if the employee was outside South Africa for more than:

- 183 full days in aggregate during any 12-month period; and
- 60 full continuous days during that 12-month period.

In calculating the days during which a person is outside South Africa, weekends, public holidays, vacation and sick leave are included. These days are therefore not limited to only workdays, however the employee must have been in formal employment.

Any 12-month period may be used to establish whether the person was outside South Africa for more than 183 days. Where a person is in transit through South Africa between two places outside South Africa and does not formally enter South Africa through a designated port of entry, the person is deemed to be outside South Africa.

The exemption applies to all amounts that constitute remuneration as defined, but does not apply to payments for the relinquishment, termination or loss of employment as these amounts do not relate to services rendered. In determining the amount of remuneration that qualifies for the exemption, the total for the year of assessment for services rendered abroad must be apportioned over the workdays in that year that relate to services rendered abroad.

Where remuneration is received by or accrues to an employee in respect of services rendered in more than one year of assessment, it will be deemed to have accrued evenly over the period of services rendered.

Any qualifying remuneration above the R 1.25 million limit will remain subject to normal tax in South Africa.

For PAYE purposes, where an employer utilises the exemption on behalf of their employee, the R 1.25 million limit accumulates monthly. Once it has been reached, the excess remuneration becomes subject to normal tax. The limit may not be averaged over the year of assessment.

If an employer withholds employees' tax on remuneration that is exempt, the employee may only claim the refund on assessment. SARS may request supporting documents to substantiate the exemption e.g. employment contracts and copies of passports.

Independent contractors and self-employed individuals, such as sole proprietors or partners in a partnership, do not qualify for this exemption.

The provisions of a double tax agreement should be considered when the remuneration exceeds R 1.25 million. Foreign tax credits may be available in South Africa where tax was paid in both countries on the same remuneration.

Foreign lump sum, pensions and annuities
Any lump sum, pension or annuity received by or accrued to any resident from a source outside South Africa as consideration for past employment outside South Africa is exempt. Any amount transferred to a South African retirement fund from a source outside South Africa in respect of the member is also exempt.

Unemployment insurance, death and other compensation benefits
Any benefit, allowance or compensation received from the following sources is exempt from normal tax:
- The Unemployment Insurance Fund;
- The Workmen's Compensation Fund;
- Compensation paid by an employer in addition to Compensation Fund benefits, in respect of the death of an employee that arises out of and in the course of their employment (limited to R 300 000); and
- The Road Accident Fund.

NON-RESIDENTS
Non-residents are taxed on their income from a source within or deemed to be within South Africa. For individual non-residents, the same tax thresholds would be applicable as for South African residents. A non-resident is only subject to capital gains tax on the disposal of fixed property (or an interest in such property) situated in South Africa or the disposal of any assets of a permanent establishment in South Africa.

Tax implications

Income	Tax implications
Business income	Taxed in South Africa if the business is carried on in South Africa.
Dividend income	Local dividends constitute gross income but are exempt from normal tax. Dividends are subject to a final withholding tax of 20%. The rate of tax may be altered by a DTA.
Interest income	Taxed in South Africa if the investment is made in South Africa or if the interest is earned on funds utilised, or credit extended to a resident in South Africa. Local interest paid to non-residents is subject to a final withholding tax of 15%, unless this rate is reduced by a DTA. Refer below for more information on this withholding tax. Exempt from withholding tax if paid by: • Any sphere of the South African government; • Any bank, the SARB, the DBSA or the IDC; • A headquarter company in respect of it granting financial assistance to which the transfer pricing rules do not apply; • Any listed debt instruments; or • An entity as contemplated in section 21(6) of the Financial Markets Act to any foreign person that is a client as defined.
Rental income on fixed property	Taxed in South Africa if the property is situated in South Africa.
Rental income on moveable property	Taxed in South Africa if the primary cause of the income is in South Africa.
Remuneration and fees	Taxed in South Africa if the services are rendered in South Africa.
Royalties	Taxed in South Africa if paid by a resident or the intellectual property was developed or is used in South Africa. Royalties paid to non-residents are subject to a final withholding tax of 15%, unless this rate is reduced by a DTA. Refer below for more information on this withholding tax.
Foreign entertainers and sportspersons	A final withholding tax of 15% is payable on all amounts paid to a non-resident in respect of any specified activity exercised by them in South Africa. The amount must be paid to SARS by the end of the month following the month in which it was withheld. Any person who is responsible for the organising of a specified activity in South Africa is required to notify SARS within 14 days after the agreement has been concluded that the specified activity is to take place.
Disposal of fixed property by non-residents	The disposal of immovable property in South Africa by non-residents for consideration of more than R 2 million is subject to withholding tax. This is not a final tax, but an advance payment for the non-resident's normal tax liability. Unless a directive to the contrary is provided by the non-resident seller, the purchaser must withhold a percentage of the selling price, depending on the nature of the seller: • Natural person: 7.5% • Company: 10% • Trust: 15% If the purchaser is a resident, the amount withheld must be paid to SARS within 14 days after the date on which it was withheld, or within 28 days if the purchaser is a non-resident. A late payment is subject to a 10% penalty and interest. If the non-resident does not submit a return to SARS within 12 months after the end of the year of assessment, SARS may issue an estimated assessment based on the payment of the withholding tax. If the taxpayer does not request SARS to issue a

	reduced assessment by submitting a complete and correct return, the estimated assessment becomes final. If a non-resident disposes of an interest in immovable property e.g. equity shares in a company and: • 80% or more of the market value of the interest at the time of the disposal is directly or indirectly attributable to fixed property situated in South Africa (held as capital or trading stock) or any interest in, or right to, such property; and • The non-resident (together with connected persons) directly or indirectly holds at least 20% of the interest; The gain that the non-resident makes on the disposal of the interest will be subject to CGT in South Africa, and the disposal will be subject to the withholding tax above.
Service fees paid to non-residents	Any arrangement for the provision to a resident of consultancy, construction, engineering, installation, logistical, managerial, supervisory, technical or training services by a non-resident, their employee, agent or representative, carried on in South Africa, where the expenditure incurred or to be incurred in respect of those services exceeds or is anticipated to exceed R 10 million per arrangement, will be a reportable arrangement unless the fee is taxed as remuneration in the non-resident's hands.

Withholding taxes on interest and royalties paid to non-residents

Interest or royalties paid to non-residents is exempt from withholding tax if the non-resident is a natural person and:

- Was physically present in South Africa for more than 183 days in aggerate during the 12 months before the amount is paid; or
- If the amounts are effectively connected to a permanent establishment carried on by the non-resident in South Africa and that foreign person is registered as a taxpayer.

From 1 March 2024 If the amounts are received by or accrued to a trust that is a resident and is then paid to a non-resident beneficiary of that trust as a distribution by that trust.

The amounts will then be subject to normal income tax.

The interest or royalty is deemed to be paid on the earlier of the date of payment or when it becomes due and payable. The person who pays the interest or royalty is responsible for withholding the correct amount of tax and paying it over to SARS.

A person may be absolved of the withholding liability, if they receive a written declaration and undertaking for exemption or a reduced rate in terms of a DTA from the non-resident. This declaration and undertaking must be submitted before the date of payment of the interest or royalty. Such declaration and undertaking will be valid for five years from the date of declaration.

Any person that withholds tax must submit a return and pay the tax to SARS by the last day of the month following the month during which the interest or royalty is paid.

A non-resident may claim a refund from SARS within 3 years after the interest or royalty has been paid by submitting the relevant declarations and undertakings, if withholding tax was unduly withheld. SARS will refund the tax directly to the non-resident. Should the interest or royalties become irrecoverable, SARS must refund the tax to the person who withheld and paid it to SARS.

If the payment of interest or royalties is denominated in a foreign currency, it must be converted to South African Rands at the spot rate on the date on which the amount was withheld.

ALLOWANCES AND REIMBURSEMENTS

An allowance is an amount granted by an employer to an employee to incur business expenditure on behalf of the employer, without requiring the employee to prove or account for the business-related expenditure.

A reimbursement occurs when an employee has incurred and already paid for business-related expenditure on behalf of an employer and is then subsequently reimbursed for the exact expenditure by the employer after having proved and accounted for it to the employer.

Travelling and car allowance

Employees' tax is calculated on 80% of a travel allowance. It may however be calculated on 20% of the travel allowance if the employer is satisfied that at least 80% of the use of the vehicle for the year of assessment will be for business purposes. The employer must make this determination on a monthly basis.

This rule does not apply to any travel allowance that is based on actual distance travelled, such as a reimbursive travel allowance.

Reimbursive travel allowance

A reimbursive travel allowance based on the actual distance travelled by the employee for business purposes is not taxable if it does not exceed a rate of R 4.84 (R 4.64) per kilometre, regardless of the vehicle value.

However, this simplified method is not available if the employer pays any other compensation in the form of an allowance or reimbursement (other than for parking or toll fees) in respect of the vehicle.

Any excess reimbursive allowance above R 4.84 (R 4.64) per kilometre constitutes remuneration for employees' tax purposes.

Where a travel allowance is paid in addition to a reimbursive allowance, the amounts will be combined on assessment and treated as a single travel allowance.

Both a travel allowance and reimbursive travel allowance are included in the definition of variable remuneration. This means that the allowance only accrues to the employee and will only constitute remuneration for employees' tax purposes and taxable income when it is paid. The distance travelled for business purposes and thus the deductions available to the employee will also be deemed to be travelled and incurred in the year of assessment in which the allowance is received.

Subsistence allowance

If an employee is obliged to spend at least one night away from their usual place of residence in South Africa for business purposes, the employer may pay a subsistence allowance that will not be included in the employee's remuneration or taxable income, provided that the amount does not exceed the following deemed costs amounts:

- R 169 (R 161) per day for incidental costs only;
- R 548 (R 522) per day for incidental costs and meals.

For travelling outside South Africa, the deemed costs amounts differ for each country. Visit the SARS website for more information.

The allowance for incidental costs is to cover expenses such as beverages, private telephone calls, tips and room service. The deemed expenditure does not cover accommodation.

Daytrip reimbursements
Where an employer pays an advance or reimbursement for expenditure incurred by the employee on meals and other incidental costs, such advance or reimbursement is not taxable if:
- The employee is allowed on instruction of the employer to incur such expenditure while the employee is by reason of the duties of their office or employment, obliged to spend a part of a day away from their usual workplace; and
- The amount of the advance or reimbursed does not exceed the deemed cost amounts of R 169 (R 161) per day.

The employee must provide proof of the expenditure to the employer.

Uniform allowance
An employer may provide an employee with a uniform, or an allowance to buy such uniform. The allowance or uniform is exempt from income tax, if the employee is required to wear the uniform while on duty, and if it is clearly distinguishable from ordinary clothing.

FRINGE BENEFITS
A fringe benefit refers to payments made to employees (including a partner in a partnership) in a form other than cash. A taxable benefit is deemed to have been granted by the employer if such benefit is granted to the employee as a reward for services rendered or to be rendered.

Acquisition of an asset at less than the actual value
A taxable benefit arises where an employee acquires an asset consisting of any goods, commodity, financial instruments (excluding section 8A, 8B or 8C shares) or property of any nature (other than money), either for no consideration or for a consideration that is less than the value of the asset as determined below.

Cash equivalent
- **General rule:** market value at the time the asset is acquired by the employee, less any consideration paid by the employee.
- **Movable property:** cost to the employer, if acquired by the employer to dispose of it to the employee.
- **Marketable securities:** market value.
- **Asset which the employer had the right of use prior to acquiring ownership thereof:** market value.
- **Trading stock:** lower of the cost or market value.

No value benefits
- Fuel or lubricants for use in a motor vehicle provided by the employer;
- Section 8A, 8B and 8C shares;
- Any asset awarded as a long service or bravery award up to R 5 000.

Long service awards
Long service means an initial unbroken period of service of at least 15 years, or any subsequent unbroken period of service of at least 10 years.

The no value rule for long service awards only applies if the aggregate value of all such awards given during the year of assessment in the form of assets, rights to use assets, free or cheap services and cash, do not exceed R 5 000.

Low cost housing
No value shall be placed on any immovable property acquired by an employee for no consideration or for less than the market value if:
- It is used for residential purposes;
- The employee's remuneration proxy does not exceed R 250 000 in relation to the year of assessment in which the property is acquired;

- The market value of the immovable property on the date of acquisition by the employee does not exceed R 450 000; and
- The employee is not a connected person in relation to the employer.

Interest not charged on a loan provided to the employee that does not exceed R 450 000 to acquire the immovable property will also have no value if the above criteria are met.

Right of use of an asset
A taxable benefit arises where an employee has been granted the private or domestic use of any asset free of charge or for a consideration that is less than the value of the private use as determined below.

The value of the taxable benefit is the value of the private use less any consideration given by the employee for its use during the relevant period, or any amount spent by the employee on maintenance or repair.

Private use value
- **Asset leased by employer**: rent paid by employer.
- **Asset owned by employer:** 15% per annum on the lesser of the cost or market value of the asset, at the start of the period of use (apportion if used only for a part of the year).
- **Employee is granted the sole right of use of the asset for a major portion of its useful life:** cost of the asset to the employer.

No value benefits
- Private use that is incidental to business use;
- Provided as an amenity or for recreational purposes at the workplace, or at a place of recreation for the use of employees in general, excluding clothing provided by the employer;
- Any equipment or machine of the employer used by employees in general for short periods, where SARS is satisfied that the value of private use is negligible;
- Telephone or computer equipment which the employee uses mainly for the purposes of the employer's business;
- Books, literature, recordings or works of art.

Use of company motor vehicle
A taxable benefit arises where an employee is granted the right to use the employer's motor vehicle either free of charge or for a consideration that is less than the private use value. Private use includes travelling between the employee's place of residence and place of work, or any other travelling done for private purposes.

Private use value of vehicle (calculated per month)
- Not subject to a maintenance plan: 3.5% of determined value;
- Subject to a maintenance plan: 3.25% of determined value;
- Vehicle held under an operating lease concluded at arm's length: actual cost to the employer plus the cost of fuel.

Maintenance plan means a contract covering all maintenance costs for a period terminating at the earlier of the end of three years, or the date on which a distance of 60 000 km is travelled. This contract must commence when the motor vehicle is acquired by the employer and may not be a top-up or add-on product. Should the maintenance plan expire, the rate will continue at 3.25%.

Should the employee have the right of use for only a portion of a month, the private use value must be apportioned accordingly.

No reduction will be made to the private use value simply because the vehicle was during any period, for any reason, temporarily not used by the employee for private purposes, unless the employee also rescinded the right of use and returned the vehicle to their employer.

Determined value

Type of employer	New/Demo vehicle	Pre-owned vehicle
Manufacturers/ Importers Vehicle dealers/ Rental companies	Dealer Billing Price Including VAT	Cost excluding finance charges but including VAT If at no cost, then market value including repairs and VAT
Any other person	Price at acquisition including VAT, or where the vehicle was acquired at no cost, the market value including VAT.	

Where an employer is a registered VAT vendor and has claimed input tax on the acquisition of the vehicle, such input VAT must not be included in this determined value.

The determined value must be reduced by 15% on the reducing balance method, for every completed 12-month period starting from when the employer acquired the motor vehicle to granting the right to use it to the relevant employee for the first time.

Where an employee is granted the right to use more than one vehicle and all vehicles are used primarily (more than 50%) for business purposes, the private use value for all vehicles shall be deemed to be that of the vehicle with the highest private use value.

Definition of an operating lease

A lease of a vehicle that is concluded by a lessor in the ordinary course of a business of letting vehicles (excluding banking, financial services or insurance businesses) if:

- Members of the public may rent the vehicle directly from the lessor for a period of less than one month;
- The cost of maintaining and repairing the vehicle in consequence of normal wear and tear is borne by the lessor;
- The risk of destruction or loss is not assumed by the lessee; and
- The lessor may claim from the lessee for a loss arising out of the lessee's failure to take proper care of the vehicle.

No value is placed on the private use of a company vehicle if:

- It is available to and used by all employees in general, private use is infrequent or merely incidental to business use and the vehicle is not normally kept at or near the residence of the relevant employee after business hours; or
- The nature of the employee's duties requires regular use of the vehicle outside normal working hours, and the employee is not permitted to use the vehicle for private purposes, other than travelling between their residence and workplace, or if private use is infrequent or incidental to business use.

Reduction on assessment

- **Accurate records kept of business kilometres:** Value of private use x business kilometres/total kilometres.
- **Employee bears the full cost of licence, insurance, or maintenance:** Total cost x private kilometres/total kilometres.
- **Employee bears the full cost of fuel for private use:** Private kilometres x deemed cost per kilometre for fuel as per the deemed cost table.

Employees' tax

Employees' tax must be calculated on 80% of the cash equivalent of this benefit. It may however be calculated on 20% thereof if the employer is satisfied that at least 80% of the use of the vehicle for the year of assessment will be for business purposes.

The employer must not claim any deductions for costs on behalf of the employee, as the employee will facilitate this upon assessment.

Deemed supply for VAT purposes: monthly value of supply
- **Motor vehicle (as defined in the VAT Act, where input tax is denied)**: 0.3% of the determined value (Excl. VAT).
- **Other vehicles**: 0.6% of the determined value (Excl. VAT).

Free or subsidised meals and refreshments
A taxable benefit arises if an employee has been provided with any free meal or refreshment, or a voucher for it, for a consideration which is lower than the cost the employer incurs for it.

No value benefits
- Provided in a canteen, cafeteria or dining room operated by or on behalf of the employer, and used wholly or mainly by employees;
- Supplied during business hours, extended working hours or on special occasions;
- Enjoyed by an employee in the course of providing entertainment on behalf of the employer.

Residential accommodation
Where an employer provides free or cheap accommodation to their employees, the taxable value is either the actual cost to the employer, or the amount determined with the below formula. In both cases, the taxable value is reduced by any consideration given by the employee.

The formula
(A - B) x C/100 x D/12 where:
- A = the remuneration proxy for the year of assessment;*
- B = R 95 750 (R 95 750) (subject to certain exclusions);
- C = 17, or
- If the accommodation consists of a house, flat or apartment consisting of at least 4 rooms, then C is:
  - 18 if unfurnished and power or fuel is supplied or if furnished, and no power or fuel is supplied;
  - 19 if furnished and power or fuel is supplied;
- D = number of months during the year of assessment that the employee was entitled to the accommodation.

*Remuneration derived by the employee in the previous year of assessment, excluding the residential accommodation benefit.

B in the formula will be Nil if:
- The employer is a private company and the employee or their spouse controls the company; or
- The employee, their spouse or minor child has the option to become the owner of the accommodation by virtue of a controlling interest.

Where the employer or associated institution supplies accommodation to employees, which it obtained in terms of an arm's length transaction with an unconnected person, and the full ownership does not vest in the employer or associated institution, the value to be placed on such accommodation shall be the lower of:
- The amount determined with the formula; or
- The amount of the expenditure incurred for accommodation by the employer or associated institution.

Expatriate employees
If an employee's usual place of residence is outside South Africa, the employee will not be taxed on being given residential accommodation in South Africa:
- For up to two years from the date of arrival in South Africa; or
- If the employee was physically present in South Africa for less than 90 days in the year of assessment.

The no-value rule for non-residents will not apply:
- If the non-resident employee was physically present in South Africa for more than 90 days during the year of assessment immediately preceding the date of arrival; or
- To the extent that the cash equivalent exceeds R 25 000 multiplied by the number of months to which the no-value rule applies.

Holiday accommodation
This benefit is determined as the prevailing rate per day if the property is owned by the employer or rented from an associated institution. Where the employer rents the accommodation, the benefit is valued at the actual rent paid and any amounts incurred by the employer for meals, refreshments or services while the accommodation was occupied by the employee. In both cases, the taxable value is reduced by any consideration given by the employee.

Free or cheap services
The benefit for services provided to an employee by their employer or by another person on behalf of the employer, at no cost to the employee or for consideration that is less than the actual cost, is valued at the difference between the actual cost to the employer and the amount paid by the employee to obtain it.

Where the employer's business is to convey passengers by sea or air, and the travel facility is granted to an employee or their relative to travel to a destination outside of South Africa, the cash equivalent is valued at the lowest full fare less any amount paid by the employee or relative.

No value services:
- Travel facilities provided by an employer who conducts business of conveying passengers for reward by land, sea or air, to enable an employee, their spouse or minor child to travel to any destination in or outside (overland) of South Africa, or to any destination outside South Africa if travel was taken on a normal flight and the seat could not be reserved in advance;
- Transport services to convey employees between their homes and work. These transport services must be rendered directly by the employer exclusively to employees in general between their homes and their place of employment. The payment for and provision of general public transport will not qualify for the no-value provisions;
- Communication services provided to an employee that is used mainly for purposes of the employer's trade, e.g. access to internet or e-mail;
- Services rendered to employees at their place of work for the better performance of their duties;
- Travel facilities granted to a spouse or minor child of an employee to travel between the employee's home and workplace, if the employee is stationed more than 250 km away from their usual place of residence in South Africa for business purposes, for more than 183 days during the relevant year of assessment.

Insurance policies
Premiums paid by an employer in respect of insurance policies is a taxable fringe benefit in the employees' hands.
- **Taxable benefit:** Amount of premiums paid directly or indirectly for the benefit of an employee or their spouse, child, dependant or nominee.
- **Excluded:** Premiums paid by the employer on a policy that relates to an event arising solely out of and in the course of employment.

Low interest or interest free loans
Debt owed by an employee to the employer, or to any other person by arrangement with the employer or any associated institution, that is charged with no interest or at a rate lower than the official interest rate, constitutes a fringe benefit.

The cash equivalent is the interest on the outstanding balance calculated at the official interest rate less the actual interest paid.

No value loans
- A loan that does not exceed R 3 000 per employee at any time;
- A loan to enable the employee to further their own studies;
- A loan to an employee that does not exceed R 450 000, if the:
  - Debt was assumed to acquire immovable property used for residential purposes;
  - Market value of the property does not exceed R 450 000;
  - Employee's remuneration proxy does not exceed R 250 000; and
  - Employee is not a connected person in relation to the employer.

Payment or release of employees' debt
A taxable fringe benefit arises when the employer has directly or indirectly paid an amount owing by the employee to any third party, without holding the employee accountable for such amount or requiring the employee to reimburse the employer. This includes releasing an employee from an obligation to pay an amount owing by the employee to the employer.

An employer will be deemed to have released an employee from an obligation to pay a debt if it prescribes, unless the prescription was not due to the employer's intention to confer a benefit on the employee.
The taxable value of this benefit is the amount the employer paid/settled on behalf of the employee, or the amount of debt from which the employee has been released.

No value benefits
- Subscriptions paid to a professional body, if membership of such body is a condition of the employee's employment;
- Insurance premiums indemnifying an employee solely against claims arising from negligent acts or omissions on the part of the employee in rendering services to the employer;
- The payment of an employee's bursary or study loan by a new employer to the previous employer, provided the employee undertakes to work for the new employer at least for the unexpired period that had not been worked for the previous employer.

Bursaries and scholarships
Any *bona fide* scholarship or bursary granted to assist or enable any person to study at a recognised educational or research institution is exempt from normal tax.

There is no monetary limit for this exemption for *bona fide* bursaries given to an employee to study. The exemption will however only apply if the employee agrees to reimburse the employer if they fail to complete their studies for reasons other than death, ill-health or injury.

If a bursary or scholarship is awarded to a relative of the employee, the exemption will apply only if the employee's remuneration proxy does not exceed R 600 000, and only to the extent that the amount of the bursary or scholarship does not exceed:
- R 20 000 for basic education (Grade R to 12 and NQF 1 to 4);
- R 60 000 for higher education (NQF 5 to 10).

If the bursary is paid to assist a disabled person who is a member of the employee's family (and the employee has a duty of care and support in respect of the person with the disability), the exemption will apply to the extent that the amount of the bursary or scholarship does not exceed:
- R 30 000 for basic education (Grade R to 12 and NQF 1 to 4);
- R 90 000 for higher education (NQF 5 to 10);
- The remuneration proxy limit is still R 600 000.

Bursaries and scholarships granted to a relative of an employee that are subject to a salary sacrifice will not be exempt, regardless of whether all the other requirements have been met.

Where an employer rewards an employee for obtaining a qualification or for the successful completion of a study course, such reward will be taxable remuneration. If the employer reimburses the employee for study expenses, such reimbursement will be a taxable benefit.

Relocation benefits
Where the employer incurred expenses, or reimbursed an employee for any relocation costs due to a change in place of employment, the following expenses will be exempt from normal tax:
- Transport costs of the employee, members of their household and personal possessions;
- Renting of temporary accommodation for the employee and members of their household, for a maximum of 183 days after transfer;
- Registration and cancellation of a mortgage bond and legal fees, transfer duty, estate agent fees, new school uniforms, motor vehicle registration fees, telephone, water and electricity connection fees, and replacement of curtains.

Any compensation paid by the employer for a loss incurred on the sale of the previous residence or architect fees paid for the design or alteration of the new residence is not exempt.

Medical aid contributions
The full medical scheme contribution made by the employer constitutes a fringe benefit. The same amount is then deemed to be a contribution made by the employee.

No value shall be placed on this benefit where the contribution is made in respect of:
- A person who has retired due to age, ill health or other infirmity; or
- The dependants of a deceased employee; or
- The dependants of a retired employee after the employee's death.

Costs relating to medical services
The cash equivalent is the amount paid by the employer during any month, directly or indirectly, for any medical, dental and similar services, hospital or nursing services or medicines for that employee, their spouse, child, other relatives or dependants.

No value benefits: provision of medical services:
- By a medical scheme that is approved by the Registrar of Medical Schemes and run by an employer for their employees;
- To a person who has retired due to age, ill health or other infirmity;
- To the dependants of a deceased employee;
- To the dependants of a person who retired due to age, ill health or other infirmity, after the person's death;
- To a person who during the relevant year of assessment is 65 years

or older, where the employer incurs qualifying medical expenses;
- Where the employer renders the services to its employees in general at their place of work for the better performance of their duties;
- Any medical benefit where the services are rendered, or the medicines supplied to comply with any law in South Africa.

Contributions to retirement funds by employer
Where the employer makes a contribution for the benefit of an employee to a pension, provident or retirement annuity fund, such contributions will be treated as a taxable fringe benefit.

Employer contributions included as a fringe benefit in the hands of the employee are deemed to have been contributed by the employee.

No value benefits: contributions made by the employer to a fund:
- For the benefit of a member who has retired from the fund; or
- In respect of dependants or nominees of a deceased member.

Share incentive schemes
Any gain derived by an employee or director in respect of rights obtained from a share incentive scheme, to acquire equity instruments (including shares, share options, convertible instruments or contractual rights), is taxable. The taxable gain is the difference between the amount paid by the employee to acquire the option and/or share, and the market value on the vesting date.

If the instrument is disposed of to an employer or associated institution for less than the market value, the gain is the amount received or accrued minus the consideration paid by the employee.

Vesting date
Unrestricted instrument: Date when the instrument is acquired.
Restricted instrument: Date when all restrictions are lifted.

An employer must apply to SARS for a tax directive to determine the PAYE payable on the gain made from the vesting of any equity instrument.

DEDUCTIONS FOR INDIVIDUALS
Retirement fund contributions
Contributions made by an individual to a pension, provident and retirement annuity fund may be claimed as a deduction.

Any amount contributed to any fund during any previous year of assessment, which has been disallowed solely because the amount contributed exceeded the maximum amount of the allowable deduction, is called the “balance of unclaimed contributions”.

The “balance of unclaimed contributions” at the end of the 2023 year of assessment should be applied or used in the following order during the 2024 year of assessment:
- Claim as a deduction against a lump sum received during 2024;
- Claim as an exemption against any qualifying annuities received during 2024;
- Add the remaining unclaimed balance to the current contributions made during 2024.

Deductible contributions in the current year of assessment will be limited to the lesser of:
- R 350 000; or

From 1 March 2024, if a person has more than one year of assessment during a 12-month period, the aggregate of amounts allowed as a deduction during the period of 12 months, commencing on 1 March and ending at the end of February of the immediately following calendar year, cannot exceed R 350 000.

- 27.5% of the greater of:
  - Remuneration; or
  - Taxable income, including taxable capital gains but before allowing this deduction and the section 18A donations and foreign tax deduction; or
- The taxable income before:
  - This deduction and the section 18A donations and foreign tax deduction; and
  - The inclusion of any taxable capital gain.

Please note: All of the above-mentioned amounts exclude any retirement lump sum benefits and severance benefits.

Employers can claim deductions in respect of amounts paid, or contributions made, to a retirement fund on behalf of, or for the benefit of, an employee. The cash equivalent of these contributions must be included as a fringe benefit in the hands of the employee. The cash equivalents of such contributions are deemed to be contributed by the employee. From 1 March 2024, it will only be deemed to be contributions made by the employee to the extent that it is included in the income of that employee.

Employers may take this deduction into account monthly for PAYE purposes, limited to the lesser of the monthly equivalent of R 350 000 or 27.5% of monthly remuneration. The maximum amount of R 350 000 must be spread over 12 months on a cumulative basis for a portion of the year of assessment that the employee received remuneration from the employer. For employees who are remunerated monthly, the deduction may not exceed R 29 167 per month.

Donations

Donations to certain Public Benefit Organisations are deductible, limited to 10% of taxable income. This taxable income excludes any lump sums from retirement funds and severance benefits but includes the taxable portion of a capital gain. Donations in excess of the 10% limit may be carried forward and treated as a donation in the following year. If the taxpayer has no taxable income or has an assessed loss, the deduction may not be claimed for that year but must be carried forward.

The taxpayer must be in possession of a qualifying section 18A certificate that supports the deduction.

Home office expenses

An individual who works from home and has dedicated an area/room to be occupied for the purpose of "trade" (i.e. work activities), may possibly deduct certain home office expenses for tax purposes.

These deductions will only be allowed when all of the following requirements are met:

- The area/room is regularly and exclusively used for the taxpayer's trade and is specifically equipped for that purpose. The home office must be set up solely for work purposes.
- Where the employee's remuneration consists solely or mainly (more than 50%) of only a salary and/or other fringe benefits, their duties must be performed mainly (more than 50%) in the dedicated part.

- Where the employee's remuneration consists mainly (more than 50%) of commission or variable payments based on work performance, their duties must be performed mainly (more than 50%) outside any office provided by the employer.

The following types of home office expenditure may possibly be claimed:
- Rent of the premises;
- Cost of repairs to the premises;
- Expenses in connection with the premises, such as rates and taxes, cleaning, utilities and insurance;
- Phones, internet, stationery (not available where remuneration consists solely or mainly of salaries and other fringe benefits);
- Wear and tear and insurance on office equipment;
- Interest on a mortgage bond (not available where remuneration consists solely or mainly of salaries and other fringe benefits).

The tax deduction is calculated for the area/room utilised for the qualifying trade. Home office expenses relating to the premises are calculated on a pro-rated basis (square metres of the home office versus total square meters of the full property).

Expenditure relating to employment
Employees or holders of office are limited as to the expenses they can deduct from their remuneration. The following expenses may however be deducted:
- Contributions to a pension, provident, or retirement annuity fund;
- Legal expenses (subject to requirements);
- Wear and tear allowance;
- Bad debt and doubtful debt allowance;
- Refunds of salaries and restraint of trade rewards;
- Business travel expenses limited to the travel allowances;
- Donations to qualifying Public Benefit Organisations;
- Home office expenses (subject to certain requirements)

Travel expenses
For an individual to claim a deduction against a travel allowance for business travel, they must maintain a logbook to justify such business use. A logbook must contain at least the date of travel, destinations, reasons for travel and business kilometres travelled. Accurate records of the opening and closing odometer readings must thus be maintained. The individual may either claim this deduction based on actual expenditure incurred (if accurate records were kept), or based on the deemed cost table as determined by SARS:

Deemed expenditure – tax year ending 28 February 2025

Value of the vehicle (Inc Vat) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	34 480	151.7	46.0
100 001	-	200 000	61 770	169.4	57.6
200 001	-	300 000	89 119	184.0	63.5
300 001	-	400 000	113 436	197.9	69.3
400 001	-	500 000	137 752	211.8	81.5
500 001	-	600 000	163 178	243.0	95.6
600 001	-	700 000	188 653	247.1	107.3
700 001	-	800 000	215 447	251.2	118.9
800 001	-	and above	215 447	251.2	118.9

Deemed expenditure – tax year ending 29 February 2024

Value of the vehicle (Inc Vat) (R)			Fixed costs (R)	Fuel (c)	Maintenance (c)
0	-	100 000	33 760	141.5	43.8
100 001	-	200 000	60 329	158.0	54.8
200 001	-	300 000	86 958	171.7	60.4
300 001	-	400 000	110 554	184.6	65.9
400 001	-	500 000	134 150	197.6	77.5
500 001	-	600 000	158 856	226.6	91.0
600 001	-	700 000	183 611	230.5	102.1
700 001	-	800 000	209 685	234.3	113.1
800 001	-	and above	209 685	234.3	113.1

The fixed cost value must be divided by the total kilometres travelled during the year of assessment and must be reduced proportionately if the vehicle is used for business purposes for less than a full year.

Please note: A travel or reimbursive travel allowance is deemed to accrue in the year of assessment in which it is paid. Therefore, the distance travelled and costs incurred for business purposes shall also be deemed to be travelled and incurred in such year of assessment.

The value of the vehicle is the cost of the vehicle, including VAT but excluding finance charges.

No fuel or maintenance costs may be claimed as a deemed cost if the employee has not borne the full cost thereof.

Where the employee maintained supporting documentation, the actual expenditure may be claimed on assessment, limited to the value of the allowance. Where the deduction is based on actual expenditure, the cost of the vehicle is limited to R 800 000 (R 800 000). Wear and tear is also limited to this value and must be determined over a period of 7 years. Finance charges must be limited as if the original debt to finance the vehicle had been R 800 000 (R 800 000).

Self-employed taxpayers must claim motor vehicle expenses based on the actual costs in respect of the vehicle over the actual distance travelled. A logbook must still be maintained to justify business use.

Deduction of interest

From January 1, 2025, expenses incurred in the production of interest are deductible, subject to certain conditions. The deduction applies to interest defined under section 24J. To determine taxable income, any person can deduct interest expenses incurred in producing interest income, provided that the interest earned is included in their income, and that such expenses are not incurred in carrying on a trade. However, the deduction is capped at the total interest income received or accrued during the year of assessment.

TAX CREDITS: INDIVIDUALS

Section 6A: Medical scheme fees tax credit (per month)

Type of person	2024	2025
Main member	364	364
Main member and one dependant	728	728
Additional credit per additional dependent	246	246

This credit applies in respect of fees paid by the taxpayer to a registered medical scheme, or a foreign medical fund registered under similar provisions of the laws of another country.
The rebates are only valid for months in respect of which contributions are actually paid to a medical scheme.

Where more than one person pays fees in respect of a dependant, the credit is determined with the same ratio as the fees paid by that person in relation to the total amount of fees paid.

Section 6B: Additional medical expenses tax credit
For taxpayers 65 years or older and for persons with a "disability" themselves or in the immediate family (spouses or children):
- 33.3% of fees paid to a medical scheme as exceeds 3 times the Section 6A credit amount to which that person is entitled; plus
- 33.3% of qualifying medical expenses paid by the person.

Thus:
33.3% x [(contributions – 3 x Section 6A credit) + qualifying expenses]

For all other natural persons:
- 25% of:
  - The amount of fees paid to a medical scheme as exceeds 4 times the Section 6A credit amount to which that person is entitled; plus
  - The amount of qualifying medical expenses paid by the person;

as exceeds 7.5% of the person's taxable income (including the taxable portion of a capital gain but excluding any retirement fund lump sum, withdrawal and severance benefits).

Thus:
25% x {[(Contributions – 4 x Section 6A credit) + qualifying expenses] – [7.5% x taxable income]}

For PAYE purposes, the employer must deduct from employees' tax:
- The medical scheme fees tax credit; and
- Where the employee is 65 years or older, the additional medical expenses tax credit of:
  33.3% x [contributions – (3 x Section 6A credit)]

Other qualifying medical expenses may not be taken into account for employees' tax purposes.

Definition of a "dependant"
A "dependant" means a person's spouse or child, the child of their spouse, any other family member for whom the person is liable for family care and support (e.g. parents), or any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme, at the time the contributions to the medical aid fund or the qualifying medical expenses were paid.

Definition of a "child"
A "child" means a person's child or the child of their spouse (including an adopted child), who was alive during any portion of the year of assessment, and was on the last day of the year of assessment:
- Unmarried and:
  - Not over the age of 18;
  - Not over the age of 21, wholly or partially dependent on the taxpayer for maintenance, and not yet liable for normal tax; or
  - Not over the age of 26, wholly or partially dependent on the taxpayer for maintenance, not yet liable for normal tax, and a full-time student at a public educational institution; or
- In the case of any other child, was incapacitated by a disability from maintaining themself, was wholly or partially dependent on the taxpayer for maintenance and has not yet become liable for the payment of normal tax.

Definition of a "disability"
A "disability" means a moderate to severe limitation of a person's ability to function or perform daily activities due to a physical, sensory, communication, intellectual or mental impairment if the limitation:

- Has lasted or has a prognosis of lasting longer than a year; and
- Is diagnosed by a duly registered medical practitioner who is a specialist on the relevant disability, in accordance with the criteria prescribed by SARS.

Form ITR-DD must be completed by a medical practitioner and is valid for 10 years if the disability is of a permanent nature. In the case of a temporary disability, the form is valid for only one year. *

Meaning of "physical impairment"
This term is not defined in the Act, but it is regarded as a disability that is less restraining than a "disability" as defined. It means the restriction on the person's ability to function or perform daily activities, after maximum correction (such as appropriate therapy, medication and use of devices), is less than a "moderate to severe limitation".

Physical impairments could include bad eyesight, hearing problems, paralysis of a portion of the body, brain dysfunctions such as dyslexia, hyperactivity or lack of concentration. Diabetes and asthma are medical conditions and not physical impairments.

Meaning of "qualifying medical expenses"
Any amounts (other than amounts recoverable by the taxpayer or their spouse) paid during the year of assessment to any duly registered:

- Medical practitioner, dentist, optometrist, homeopath, naturopath, osteopath, herbalist, physiotherapist, chiropractor or orthopaedist for professional services rendered or medicines supplied to the person or any of their dependants;
- Nursing home or hospital, a duly registered or enrolled nurse, midwife or nursing assistant (or to any nursing agency for the services of such nurse, midwife or nursing assistant) in respect of an illness or confinement of the person or any of their dependants;
- Pharmacist for medicines supplied on prescription for the person or any of their dependants;
- Expenditure incurred outside South Africa which are substantially similar to qualifying medical services and medicine supplied in South Africa; and
- Expenses prescribed by SARS* (other than expenses recoverable by the person or their spouse) and necessarily incurred and paid by the person during the year of assessment due to any physical impairment or disability suffered by the person or any of their dependants.

* Please refer to the SARS Guide on the determination of medical tax credit allowances for a detailed explanation of disability and the expenses as prescribed by the Minister.

Section 6C: Solar energy tax credit

The solar energy tax credit is a deduction from the normal tax payable by a natural person in South Africa. This credit applies to the cost incurred by the natural person for acquiring new and unused solar photovoltaic panels with a generation capacity of at least 275W per panel. The panels must be brought into use for the first time between 1 March 2023, and 29 February 2024. The tax credit is 25% of the actual cost of the panels, limited to a maximum of R 15 000.

To qualify, the panels must be installed and mounted on or affixed to a residence mainly used for domestic purposes, connected to the residence's distribution board, and accompanied by an electrical certificate of compliance. Landlords may also claim this rebate for panels installed at a property rented out as a residence, if they have incurred the costs to acquire the panels.

This rebate does not extend to portable panels, inverters, batteries or installation costs.

The energy tax credit will not be permitted if an allowance has already been granted under section 12B or 12BA of the Act for the same solar PV panel.

The rebate can only be claimed in the 2024 year of assessment.

RETIREMENT BENEFITS

Annuities

All annuities, including capital annuities, are included in gross income and taxed on the progressive tax table applicable to natural persons.

Lump sums received from an employer

Lump sums paid by an employer that is not a fund are included in gross income and taxed in terms of the normal progressive tax table applicable to natural persons, unless it qualifies as a severance benefit that is taxed in terms of the separate tax table applicable to severance benefits.

Severance benefit

- A lump sum received from an employer or associated institution;
- In respect of the relinquishment, termination, loss, repudiation, cancellation or variation of the person's office or employment;
- Where one of the following is applicable:
  - The person is 55 years or older; or
  - The person is permanently incapable of holding employment or office due to sickness, accident, injury or incapacity through infirmity of mind or body; or
  - The termination or loss of employment is due to the employer retrenching staff due to ceasing trade or implementing a reduction in personnel in general. (This retrenchment provision will not apply where the employee held more than 5% of the issued share capital or members' interest in the employer at any time).

Employers are required to apply to SARS for a tax directive to determine the correct amount of PAYE on this benefit. SARS will determine whether the amount constitutes a severance benefit as defined, as well as the tax rates applicable to it.

Lump sum benefits received from South African retirement funds

There are two types of lump sum benefits from retirement funds, namely a retirement fund lump sum benefit and a retirement fund lump sum withdrawal benefit. The net amount, being the lump sum received less allowable deductions, is included in gross income and taxed in terms of the separate tax tables applicable to retirement fund lump sum benefits.

Not more than one-third of the total value of the retirement interest may be paid out as a lump sum, unless the remaining two-thirds does not exceed R 165 000 (thus, if the total value of the retirement interest does not exceed R 247 500), the member is deceased or elects to transfer the retirement interest from one approved fund to another.

Where a retirement interest in an approved retirement annuity fund is transferred to another approved retirement fund, the value of each individual contract being transferred, as well as the balance of the retirement interest remaining in the fund after transfer, must exceed R 371 250, unless the member transfers their total retirement interest.

If the above *de minimus* rule does not apply, the fund must pay the remaining two-thirds in the form of an annuity to the member or may use it to purchase an annuity from a registered insurer.

Where the two-thirds retained in the fund is used to provide or purchase more than one annuity, the amount used for each such annuity must exceed R 165 000.

All the retirement interests to which provident fund members already obtained a vested right up to 28 February 2021, may still be taken as a lump sum. The one-third limitation is not applicable to these members who have already reached the age of 55 years by 1 March 2021.

Tax on a retirement fund lump sum or severance benefit
Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of employer's trade.

The tax on these amounts is determined as follows:
- Apply the tax table below to the aggregate value of the current lump sum or severance benefit and all previous:
  - Retirement fund lump sum benefits received or accrued from 1 October 2007;
  - Retirement fund lump sum withdrawal benefits received or accrued from 1 March 2009; and
  - Severance benefits received or accrued from 1 March 2011.
- Reduce the tax determined above with the amount of tax calculated by applying the same tax table to only the aggregate value of all previous lump sums as listed above.

Retirement fund lump sum or severance benefit tax table
Years of assessment ending 29 February 2024 and 28 February 2025

Taxable income (R)			Tax Rate				
0	-	550 000			0%		
550 001	-	770 000			18%	above	550 000
770 001	-	1 155 000	39 600	+	27%	above	770 000
1 155 001		and above	143 550	+	36%	above	1 155 000

Tax on a retirement fund lump sum withdrawal benefit
Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or a retirement annuity fund on withdrawal (including amounts assigned to a former spouse in terms of a divorce order).

The tax on these amounts is determined as follows:
- Apply the tax table below to the aggregate value of the current lump sum and all previous:
  - Retirement fund lump sum benefits received or accrued from 1 October 2007;
  - Retirement fund lump sum withdrawal benefits received or accrued from 1 March 2009; and
  - Severance benefits received or accrued from 1 March 2011.

- Reduce the tax determined above with the amount of tax calculated by applying the same tax table to only the aggregate value of all previous lump sums as listed above.

Retirement fund lump sum withdrawal benefit tax table
Years of assessment ending 29 February 2024 and 28 February 2025

Taxable income (R)			Tax Rate				
0	-	27 500			0%		
27 501	-	726 000			18%	above	27 500
726 001	-	1 089 000	125 730	+	27%	above	726 000
1 089 001		and above	223 740	+	36%	above	1 089 000

Members of retirement annuity, pension preservation and provident preservation funds who emigrate may only withdraw their full retirement interest as a lump sum prior to retirement date if they are non-resident for a continuous three years or longer on or after 1 March 2021.

Tax neutral transfers to other funds
Members of retirement funds can postpone retirement by keeping their benefits within their funds past the normal retirement age. Retirees may "elect to retire" at any age of their choice, subject to the rules and regulations of each individual fund.

Any amount transferred from one type of fund to another type of fund for the benefit of a member of a retirement fund on or after retirement age but before retirement date constitutes gross income. Paragraph 6A of the Second Schedule permits a deduction for these transfers from one fund to another.

From 1 March 2024 transfers from a pension fund or provident fund into another pension fund or provident fund that is subject to an involuntary transfer will also qualify as a deduction.

Exemption of qualifying annuities
Section 10(C)(2) allows an exemption of so much of any contributions to any fund that did not rank as a deduction against a person's income in respect of any prior year of assessment.

The unclaimed balance of contributions for the 2023 year of assessment may be applied in the following order for the 2024 year of assessment:
- As a deduction against a lump sum received during 2024;
- As an exemption against qualifying annuities received during 2024;
- Add the remaining unclaimed balance to the current contributions made during 2024.

Two-pot retirement system

Members of retirement funds will be allowed a deduction for amounts contributed (be it by themselves or their employer on their behalf) to retirement funds (limited to the lesser of R 350 000 or 27,5% of the higher of taxable income or remuneration).

Employer contributions made on behalf of employees will be treated as a taxable fringe benefit in the employee's hands.

Savings Component
Individuals will be required to contribute an amount of one-third of the total individual retirement fund contributions to the savings component. This one-third of the retirement assets in the savings component will be available for withdrawal before retirement. A member will be allowed to make a single withdrawal within a year of assessment. The minimum withdrawal amount is R 2 000 with no

limit on the maximum amount a member can withdraw. If a member resigns from employment and has already made use of their single withdrawal during that tax year, an additional withdrawal will be allowed provided the gross interest in the savings component is less than R 2 000. Withdrawals from the savings component will be added to the individual's taxable income and will be taxed at their applicable marginal rate. The ability to withdraw from the savings component will be applicable on a per fund or per contract basis.

Retirement Component
Individuals will be required to contribute an amount of two-thirds of the total individual retirement fund contributions to the retirement component. This two-thirds of individual's retirement assets in the retirement component will be required to be preserved until retirement and members can only gain access to this component when the member reach normal retirement age per the fund rules. The retirement component will be paid in the form of an annuity (including living annuities). The current de-minimis rules as it relates to the commutation of annuities (currently R 165 000) will apply to annuities from this component. Withdrawals from the retirement component will only be accessible as a lump sum when an individual emigrates from South Africa and ceases to be a tax resident for 3 years.

Vested Component
Retirement fund companies will be required to create another component known as the vested component. The value of a member's retirement interest must be determined on the date immediately prior to implementation date. These amounts will be subject to the current retirement regime. Members will not be allowed to make any further contributions to their vested component, excluding members of a provident fund who were 55 years or older on 1 March 2021. Withdrawals from the vested component are only accessible as a lump sum when an individual emigrates from South Africa and ceases to be a tax resident for 3 years.

Seed capital
Seed capital refers to the starting balance in the savings component which should be available to the member of the retirement fund for withdrawal on implementation date. This will provide for immediate access to the available balance in the retirement fund on implementation date. This starting balance is to be provided in the savings component from the vested component. The seed capital will be calculated as 10% of the vested component" limited to R 30 000 (whichever is the lesser).

Tax-free transfers between funds
Members will be allowed to make the following tax-free transfers:
- From the savings component to the retirement component.
- From the vested component to the retirement component.

Transfers are only permissible when a member resigns or retires from their respective fund. Should a member choose to make an inter-fund transfer all components will need to be transferred to the transferee fund (i.e. the member is not able to transfer only one component while leaving the other components behind).

The implementation date is 1 September 2024.

CORPORATE TAX

Small business corporations

A small business corporation is any close corporation, co-operative, private company, or a personal liability company where:

- The entire shareholding for the entire year of assessment is held by natural persons;
- The gross income for the year of assessment does not exceed R 20 million (apportioned if traded for less than 12 months);
- No shareholder, at any time during the year of assessment, held any shares or interest in any other company, other than in a:
  - Listed company or portfolio in a collective investment scheme;
  - Sectional title body corporate or share block company;
  - Co-operative (limited to 5%) or friendly society;
  - Venture capital company;
  - Company, close corporation or co-operative, which has not during any year of assessment carried on any trade and has never owned assets worth more than R 5 000; or
  - Company or close corporation that has taken steps to liquidate, wind up or deregister;
- Not more than 20% of the total receipts and accruals and all capital gains consists collectively of investment income* and income from rendering personal services***; and
- The entity is not a personal service provider as defined.

***Investment income**: dividends, foreign dividends, annuities, interest, **rental, royalty or any income of a similar nature, and any proceeds derived from investment or trading in financial instruments (including futures, options and other derivatives), marketable securities and immovable property.

**Income earned by a qualifying entity from providing serviced accommodation on a short-term basis in, for example, a guesthouse, lodge, bed-and-breakfast establishment or hotel, will not be regarded as rental income for this part.

***Personal service**: any service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation or veterinary science, which is performed personally by any person who holds an interest in the qualifying entity, or by their connected person, except where the entity employs 3 or more full-time employees throughout the year of assessment, that are not connected persons to the entity or shareholders, and are on a full-time basis engaged in the business of the entity in rendering that service.

This type of company enjoys a progressive tax rate structure:

Year of assessment ending between 1 April 2023 and 31 March 2025

Taxable income (R)			Tax Rate				
0	-	95 750			0%		
95 751	-	365 000			7%	above	95 750
365 001	-	550 000	18 848	+	21%	above	365 000
550 001		and above	57 698	+	27%	above	550 000

Qualifying small business corporations may deduct the full cost of any asset used directly in a process of manufacture, in the tax year in which the asset is brought into use. For all other depreciable assets, the entity may elect to use the write-off of a 50%:30%:20% basis, or the normal wear and tear rates as set out in Interpretation Note 47.

Dividends paid by a small business corporation are subject to dividends withholding tax at 20%.

Personal service providers
A personal service provider is defined as any company, close corporation or trust, where any service rendered on behalf of such entity to a client, is rendered personally by any person who is a connected person in relation to such entity, and:

- Such person would be regarded as an employee of the client if they rendered the service directly to the client; or
- Their duties must be performed mainly at the premises of the client and are subject to the control or supervision of the client; or
- More than 80% of the income during the year of assessment from services rendered, consist of or is likely to consist of amounts received directly or indirectly from any one client or any associated institution in relation to the client. (Unless the entity has provided an affidavit or solemn declaration to the client that this will not be the case, and the client relies on it in good faith).

A company or a trust will not be a personal service provider where it employs 3 or more full-time employees throughout the year of assessment, who are on a full-time basis engaged in its business, other than any employee who is a shareholder in a company, a settlor or beneficiary of the trust, or a connected person in relation to such person.

Remuneration payable to a personal service provider is subject to employees' tax at the rate that applies to the entity type:

- Company: 27%
- Trust: 45%

The personal service provider may apply to SARS for a tax directive for a lower employees' tax rate.

Dividends paid by a personal service company is subject to dividends withholding tax of 20%.

Limitation of deductions
Personal service providers may claim only the following deductions:

- Amounts paid to any employee for services rendered, which will be taken into account in determining the employee's taxable income;
- Legal expenses;
- Irrecoverable debts;
- Contributions to pension, provident and benefit funds;
- Refunds of remuneration and restraint of trade payments;
- Any expenses in respect of premises, finance charges, insurance, repairs, fuel and maintenance in respect of assets, if such premises or assets are used wholly and exclusively for purposes of trade.

Personal service providers cannot qualify as a micro business.

Micro businesses
Turnover tax is a simplified tax system that serves as a substitute for income tax, CGT and dividends tax. This system is optional - micro businesses still have the option to use the standard tax system. Natural persons, companies, and close corporations can qualify as micro businesses if their "qualifying turnover" for a year of assessment does not exceed R 1 million. A trust cannot qualify as a micro business.

Qualifying turnover
This represents the total receipts (not accruals) from carrying on business activities, excluding any amounts of a capital nature and amounts received from a small business funding entity or a government grant that is exempt from normal tax.

Persons that do not qualify as micro businesses

- If the natural person or company holds any shares or interests in other companies, other than a share or interest in:
  - Listed companies or portfolios in collective investment schemes;
  - Body corporates or share block companies;
  - Venture capital companies
  - Co-operatives (limited to 5%) or friendly societies;
- In the case of a natural person: If more than 20% of receipts during the year of assessment consists of income from the rendering of a professional service***;
- In the case of a company:
  - If more than 20% of receipts during the year of assessment consists of investment income* and professional service income;
  - If its year of assessment does not end on the last day of February;
  - If any of its shareholders is not a natural person;
  - If any of its shareholders held any other shares or interests in another company at any time during the year of assessment, other than those allowed as per the list above, and other than shares or interests in a company that has not during any year of assessment carried on any trade or owned assets with a total market value of more than R 5 000, or a company which has taken steps to liquidate, wind up or deregister;
  - If it is an approved Public Benefit Organisation, Recreational Club, Association or Small Business Funding Entity;
- Personal service providers;
- Labour brokers without an exemption certificate;
- If the total of receipts from the disposal of fixed property and other capital assets used mainly for business purposes exceeds R 1.5 million over 3 years (current and 2 prior years of assessment).

***Professional service: any service in the field of accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, consulting, draftsmanship, education, engineering, financial service broking, health, information technology, journalism, law, management, real estate broking, research, sport, surveying, translation, valuation or veterinary science.

Tax rates

Years of assessment ending on 29 February 2024/28 February 2025

Taxable turnover (R)			Tax Rate				
0	-	335 000			0%		
335 001	-	500 000			1%	above	335 000
500 001	-	750 000	1 650	+	2%	above	500 000
750 001	-	1 000 000	6 650	+	3%	above	750 000

Taxable turnover

- Revenue amounts received (cash basis) during the year of assessment from carrying on business activities in South Africa;
- 50% of all receipts of a capital nature from the sale of immovable property and other assets used mainly for business purposes (excluding trading stock and financial instruments);
- In the case of a company or close corporation: 100% of investment income (excluding dividends and foreign dividends);
- Less: any amount refunded to any person in respect of goods and services supplied during that or any previous year of assessment.

Excluded from taxable turnover

- For natural persons: Investment income such as dividends, foreign dividends, royalties, rental, annuities, interest and proceeds from disposals in financial instruments;
- Any exempt government grants or receipts from a small business funding entity;

- Amounts received that accrued prior to registration as a micro business, and that was already subject to normal income tax;
- Amounts received from any person as a refund in respect of goods or services supplied by that person to the registered micro business.

Dividends tax
The first R 200 000 dividends paid by the micro business during the year of assessment is exempt from dividends tax.

Payment of tax
- Within the first 6 months (by 31 August): Estimate taxable turnover for the year of assessment and pay half of the tax thereon. This estimate may not be less than the taxable turnover for the previous year of assessment, unless SARS accepts a lower estimate;
- By the end of the year of assessment (by end of February): Estimate taxable turnover for the year of assessment and calculate the tax payable on this amount, less the amount of the first payment.

If the year-end estimate is less than 80% of the actual taxable turnover for the year, the penalty is 20% of the difference between the tax payable on 80% of the actual taxable turnover for the year, and the tax paid based on the estimates.

Interest is payable on late payments at the prescribed rate.

Registration
A micro business that opts to register for turnover tax must apply to SARS to do so before the beginning of a year of assessment, or within 2 months from the date the business commenced.

Deregistration
A registered micro business may elect to be deregistered before the beginning of a year of assessment, or during a year of assessment. If it voluntarily deregisters during a year of assessment the deregistration is effective from the beginning of that year of assessment.

A registered micro business must notify SARS within 21 days from the date on which the qualifying turnover for a year of assessment exceeds R 1 million, or if there are reasonable grounds for believing that it will exceed that amount. The micro business will then be required to deregister with effect from the beginning of the month following the month during which SARS received such notification. If the increase to an amount greater than R 1 million is of a nominal and temporary nature, the person must apply to SARS to decide whether the person must remain a registered micro business or not.

A micro business that is deregistered, whether voluntarily or compulsory, may not be reregistered as a micro business again.

VAT registration
A micro business can register for VAT as a category D vendor (6-month period ending on the last day of February and August).

Record keeping
The following records must be retained by a micro business during a year of assessment:
- Amounts received;
- Dividends declared;
- Each asset with a cost price of more than R 10 000; and
- Each liability that exceeds R 10 000.

Bodies corporate
Levies received by a sectional title body corporate, a share block company or other association of persons, formed solely for purposes of managing the collective interest of all its members, including the collection of levies and administration of expenditure in respect of the common immovable property, are exempt from income tax.

Receipts or accruals other than levies are exempt up to a maximum of R 50 000 per annum. Income in excess of this exemption will be subject to tax at 27% for years of assessment ending on or after 31 March 2023 (previously 28%).

Trusts
Trusts (other than special trusts) are taxed at 45%. Trusts do not qualify for the interest exemption or normal tax rebates.

There are two types of special trusts:
- Created solely for the benefit of one or more persons with a disability as defined, that incapacitates them from earning sufficient income for their maintenance or managing their own financial affairs; and
- A testamentary trust formed for relatives of the deceased, where the youngest beneficiary is under the age of 18 years.

These special trusts are taxed at the rates applicable to natural persons, but do not qualify for normal tax rebates.

The year of assessment of all trusts ends on the last day of February.

Liability for tax on income earned

Donor
A donation, or a deemed donation of an asset to a trust, or the granting of an interest free or low interest loan in respect of assets sold to the trust, may trigger tax consequences for the donor.

Beneficiary with a vested right
A beneficiary with a vested right in the income will be taxed on that income only to the extent that it is not deemed to accrue to the donor. From 1 March 2024 this only applies to resident beneficiaries with a vested right in the income.

Trust
The trust will be taxed if no beneficiary has a vested right to the income and the income is also not deemed to accrue to the donor. From 1 March 2024 the trust will also be taxed on an amount that vests in a non-resident beneficiary, provided it is not deemed to accrue to the donor.

Public Benefit Organisations
Receipts and accruals are exempt to the extent that it is derived:
- Otherwise than from any business undertakings or trading activities;
- From any business undertaking or trading activity that is integral and directly related to the sole or principal object of the entity, if carried out on a cost recovery basis and if it does not result in unfair competition in relation to taxable entities;
- From fund raising activities of an occasional nature, undertaken substantially with assistance on a voluntary basis without compensation; or

- From any other trading activity, to the extent that the income so derived does not exceed the greater of R 200 000 or 5% of the entity's total receipts and accruals per annum. The excess above this exemption is taxed at 27%.

An approved Public Benefit Organisation is not liable for provisional tax.

Recreational clubs

Receipts and accruals are exempt to the extent that it is derived from:

- Membership or subscription fees paid by members;
- Any business undertaking or trading activity that is integral and directly related to the provision of social or recreational amenities for the members, if carried out on a cost recovery basis and if it does not result in unfair competition in relation to taxable entities;
- Fundraising activities of an occasional nature, undertaken substantially with assistance on a voluntary basis without compensation; or
- Any other source, to the extent that it does not exceed the greater of R 120 000 or 5% of membership fees and subscriptions for the year of assessment. The excess is taxed at 27%.

Recreational clubs that are tax exempt is also not liable for provisional tax.

A Public Benefit organisation and a Recreational Club must have at least three natural persons, who are not connected persons in relation to each other, to accept the fiduciary responsibility, and no single person may directly or indirectly control the decision-making powers of the organisation. These organisations are also not allowed to have any person acting in a fiduciary capacity which is disqualified in terms of the Trust Property Control Act, the Nonprofit Organisations Act, and the Companies Act. A person who acts in a such a fiduciary capacity whilst disqualified shall be guilty of an offence and liable, on conviction, to a fine or to imprisonment for a period not exceeding 24 months. Should an association appoint a disqualified person and fail to remedy such non-compliance upon notification by the Commissioner, the Commissioner may withdraw the approval of the association as provided under section 30B of the Act.

EMPLOYMENT TAXES

Remuneration

Remuneration includes all payments and amounts, in cash or otherwise, whether or not for services rendered. The following are included:

- Annuities and living annuities;
- Salaries, wages, leave pay*, overtime pay, bonuses, gratuities, fees, commissions, emoluments and any other payments for services rendered;
- Allowances and advances (excluding travel and subsistence);
- 50% of allowances paid to a holder of public office;
- 80% of any travel allowance (20% if the employer is satisfied that at least 80% of the use of the vehicle for the year of assessment will be for business purposes);
- 100% of any travel allowance based on actual distance travelled, to the extent that the allowance exceeds R 4.84 (R 4.64) per kilometre;
- 80% of the taxable benefit from the use of an employer vehicle (20% if the employer is satisfied that at least 80% of the use of the vehicle for the year of assessment will be for business purposes);
- A subsistence allowance paid, where the employee does not spend a night away from their usual place of residence before the last day of

the following month and did not repay the allowance to the employer;
- Pensions, superannuation allowances and annuities;
- Restraint of trade receipts;
- Amounts paid for the loss or variation of office;
- Retirement lump sums received from an employer;
- Retirement lump sums received from pension, provident or retirement annuity funds;
- The full cash equivalent of other taxable fringe benefits;
- Any gain made from the disposal of any qualifying equity share in terms of a Broad-Based Employee Share Plan;
- Any gain determined in terms of the vesting of equity instruments in the hands of directors and employees;
- Dividends received from certain restricted equity instruments.

*Please note: Leave pay does not form part of a severance benefit. No value is placed on accrued leave until the encashment thereof and must be taxed in the same manner as a bonus.

Directors of private and public companies
Executive directors (residents and non-residents) are included under the main definition of an employee.

The definition of a company includes a close corporation, therefore members of close corporations will also be subject to PAYE under the same rules applicable to directors of companies.

Amounts received as directors' fees by resident, non-executive directors are not regarded as remuneration, as they are not seen by SARS as common law employees but rather as independent contractors. The employer is therefore not required to withhold any PAYE on it. The director may voluntarily request PAYE to be withheld, in which case an IRP5/IT3(a) certificate needs to be issued.

Non-resident, non-executive directors are subject to PAYE as they are always regarded as employees for PAYE purposes.

Variable remuneration
The timing of accrual and incurral of variable remuneration is based on when it is paid. These amounts will thus only be included in the income of the employee (and constitute remuneration for employees' tax purposes) and will only be deductible expenditure for the employer on the date that they are actually paid.

Variable remuneration is defined as:
- Overtime pay, bonus, commission and leave pay;
- Allowance or advance in respect of transport expenses (this includes both fixed and reimbursive travel allowances);
- Night shift and standby allowances;
- Any amount paid or granted to an employee for the reimbursement of business expenditure.

From 1 March 2023, variable remuneration includes any amount that is determined based on work performance (other than a bonus).

From 1 March 2023, the timing of accrual and incurral of unpaid amounts of variable remuneration that accrue by virtue of an employee's death, will be determined as the day immediately before the employee's death, regardless of when it is paid.

PAYE withholding obligation

Every employer that is a resident, or that is not a resident and conducts business through a permanent establishment in the Republic, or that is a representative employer is liable to withhold employees' tax in respect of employees who are liable for tax in South Africa.

This is a withholding tax that the employer deducts from an employee's remuneration. Employers are required to submit the EMP201 return and pay this tax to SARS within 7 days after the end of the month in which it was withheld. Should the 7th day fall on a weekend or public holiday, it must be paid by the last business day before the 7th. Any agreement between an employer and an employee where the employer undertakes not to withhold employees' tax, is void.

Failure to withhold or pay over employees' tax

If the employer does not withhold employee's tax or does not pay it to SARS, the employer becomes personally liable for the tax to SARS.

If SARS is satisfied that the failure to withhold tax was not due to an intent to postpone payment or evade tax, and there is a reasonable prospect of recovering the tax from the employee, SARS may absolve the employer from this liability. An employer who has not been absolved as such has a right of recovery against the employee. The employee may not receive a tax certificate until they have paid the tax to the employer.

The tax not withheld, which the employer is personally liable for without being absolved by SARS, and which has not been recovered from the employee, constitutes a penalty which the employer may not claim as a deduction for income tax purposes.

Non-compliance

Non-compliance with the following is a criminal offense which may result in a fine for the employer or imprisonment for a period not exceeding 2 years:

- Wilful or negligent failure to submit an EMP201, EMP501 or IRP5/IT3;
- Wilful or negligent failure to deliver an IRP5 to an employee or former employee; or
- Deducting or withholding employee's tax from employees, whilst wilfully using the money for other purposes than paying it to SARS.

Non-compliance administrative penalties

Failure to pay the full amount of PAYE on time: 10% of the outstanding PAYE plus interest for the period the amount remains unpaid.

Employees' tax certificates

Every employer must issue a tax certificate to an employee within 60 days after the end of the year of assessment, or within 14 days from when the person leaves the employer's employment, or the day the employer ceased to be an employer. This certificate must show the total remuneration and employees' tax for the period. An employer is prohibited from issuing tax certificates to employees before the submission of the EMP501 return.

Offence

Any person who:

- Wilfully or negligently fails to deliver an employees' tax certificate to an employee or former employee; or

- Is not an employer and without being duly authorised by any person who is an employer, wilfully issues an employees' tax certificate;

is guilty of an offence and is liable, upon conviction, to a fine or imprisonment for a period not exceeding two years.

EMP501 returns

Employers must render an EMP501 return to SARS for each 6-month period ending on the last day of August and February. The EMP501 is a reconciliation of employees' tax withheld for the relevant six or twelve-month period to the employees' tax certificates for that period.

Failure to submit a complete EMP501 on time

If the employer does not submit the reconciliation in time, SARS may impose a penalty for each month that it is outstanding. This penalty may not exceed 10% of the total amount of employees' tax.

If the total amount of employees' tax that should have been withheld is unknown, SARS may estimate it based on information readily available, and impose this penalty on the estimate. When the actual employees' tax is determined and it appears that the estimate was incorrect, the penalty must be adjusted with effect from the date it was levied.

Employment Tax Incentive (ETI)

This incentive permits eligible employers to reduce their PAYE liability for a specific month with the ETI amount claimable for that month in respect of qualifying employees.

Definition of employee

An employee is defined for ETI purposes as an individual who works for another person and receives or is entitled to receive remuneration from that person. The employee must be involved directly or indirectly in the business and must be documented in the records of the employer as required by the Basic Conditions of Employment Act. Independent contractors are excluded from this definition.

Eligible employers

Employers who are registered for employees' tax may qualify for this incentive. The benefit derived by the employer from this incentive is exempt from normal income tax.

The ETI is not applicable to the government as an employer, certain public entities or municipal entities and otherwise disqualified employers.

Qualifying employee

An individual that:

- Is not an independent contractor in relation to the employer;
- Is between the ages of 18 and 29, at the end of the month in respect of which the ETI is claimed (not applicable to employees of employers operating as a qualifying company in a Special Economic Zone);
- Is in possession of either a valid South African identity card, an asylum seeker permit or a refugee identity card;
- Is not connected in relation to the employer;
- Is not a domestic worker;
- Was employed by the employer or an associated person on or after 1 October 2013.

A person will not be a qualifying employee if they are mainly studying, unless they have entered onto a learnership agreement with the employer as defined in the Skills Development Act. To determine the ratio of study time to total time employed, the actual hours studied and worked must be used.

Remuneration requirements

- The employee must earn at least the higher of the amount payable by virtue of a wage regulating measure, or the national minimum wage (currently set at R 27.58 from 1 March 2024 (R 25.42) for each ordinary hour worked); or
- Where no wage regulation or minimum wage is applicable, the wage must not be less than:
  - Where the employee is employed for at least 160 hours in the month: R 2 000 per month; or
  - Where the employee is employed for less than 160 hours per month: R 2 000 per month x actual hours worked / 160;
- The remuneration of a qualifying employee may not exceed R 6 500 in a month.

Please note: "hours" mean ordinary hours as defined in the Basic Conditions of Employment Act.

The incentive may only be claimed for a total of 24 qualifying months.

The value of the incentive is determined as follows from 1 March 2022

Monthly remuneration	Per month during the first 12 months	Per month during the next 12 months
R 0 – R 1 999	75% x monthly remuneration	37.5% x monthly remuneration
R 2 000 – R 4 499	R 1 500	R 750
R 4 500 – R 6 499	R 1 500 – (75% x (monthly remuneration – R 4 500))	R 750 – (37.5% x (monthly remuneration – R 4 500))

For the purpose of calculating the incentive, if a qualifying employee:

- Was previously employed by an associated person, the number of months that they were so employed must be taken into account as if they were employed by the current employer;
- Is employed for less than 160 hours in a month:
  - The remuneration earned by that employee must be adjusted upwards to determine the relevant bracket to be used from the tables above to calculate the ETI amount (thus: actual remuneration x 160 / actual hours worked); and
  - The ETI amount to be claimed in respect of that employee must be apportioned downwards based on the actual amount of hours worked (thus: ETI amount from the relevant bracket as per the tables above x actual hours worked / 160).

Roll-over of incentive

An employer may not deduct an ETI value that exceeds the total PAYE which is due to SARS in a month. Prior EMP201 submissions may also not be reopened to increase the ETI that was not claimed in full.

The excess allowable ETI in a given month may however be rolled over to the following month when:

- The incentive amount available to a compliant employer exceeds the PAYE due in a month;
- A compliant employer fails to reduce the PAYE payable to SARS despite being eligible to receive the incentive; or
- A non-compliant employer was not allowed to claim the ETI due to outstanding tax returns or tax debt (to be claimed in the first month that the employer becomes compliant).

Any unclaimed monthly ETI must be claimed by the last month of each PAYE reconciliation period (August or February).

Any unclaimed ETI amounts will be forfeited on the first day of the month following the end of the PAYE reconciliation period (either 1 September

or 1 March). As a result, the excess ETI on either 1 September or 1 March will be deemed to be nil.

Refunds
Employers may claim a refund for the remaining excess ETI at the end of bi-annual reconciliation period (31 August and the end of February). SARS will only pay the refund if the employer is tax compliant when their reconciliation documents are received and processed by SARS. A non-compliant employer may still claim a refund in the prescribed form and manner by these deadlines, and will be granted 6 months from the start of the next reconciliation cycle to correct any non-compliance to receive the refund.

Employers will forfeit the refund if they fail to claim it or to become compliant by the end of the prescribed periods.

Penalties
Penalties will apply when:
- An employer claims the incentive in respect of an employee earning less than the national minimum wage (or less than R 2 000 where a minimum wage is not applicable). The penalty in this case is 100% of the incentive received for that employee;
- An employer displaced an employee to employ an individual that is eligible for the incentive. A penalty of R 30 000 will be levied for each employee displaced.

For reconciliations submitted from 1 September 2022, any amount of ETI claimed by an employer is included as an amount of tax for the consideration of the understatement penalty in terms of the Tax Administration Act. Where a penalty has already been levied in terms of the ETI Act due to non-compliance with the minimum wage requirements, any understatement penalty imposed for the same amount will be reduced by such first-imposed penalty.

The incentive will cease on 28 February 2029.

Skills Development Levies (SDL)
Where an employer expects that the total salaries will be more than R500 000 over the next 12 months, that employer becomes liable to pay SDL. If an employer becomes liable, they need to register for SDL. It is calculated as 1% of the total amount of monthly remuneration paid to employees.

Remuneration for SDL purposes excludes:
- Amounts paid to labour brokers with a certificate of exemption;
- Any amounts paid as pension, superannuation or retiring allowances;
- Any annuities and lump sums from employers and retirement funds;
- Remuneration of learners under a learnership agreement.

Unemployment Insurance Fund (UIF)
Employers must pay a total UIF contribution of 2% of monthly remuneration (1% employee contribution, 1% employer contribution). The maximum earnings for determining contributions is R 17 712 per month or R 212 544 annually.

Contributions must be paid to SARS (or to the UIF directly if the employer is not registered as such with SARS) within seven days after the end of the month during which it was deducted. If the seventh day is a public holiday or weekend, payment must be made on the last business day before the public holiday or weekend.

Employers must also submit the monthly employee declarations to the UIF, even when payment has been made to SARS.

Learnership allowance
This allowance is available to employers who employ learners under registered learnership agreements entered into before 1 April 2027.

Annual and completion allowance

Type of person	Qualification (NQF)	(R)
Person without a disability	1 - 6	40 000
	7 - 10	20 000
Person with a disability	1 - 6	60 000
	7 - 10	50 000

The annual allowance is based on the number of full months in the employer's year of assessment. If the agreement is for a period of less than 12 full months in a year of assessment, the allowance must be apportioned based on the number of full months that the learner has been a party to it. The annual allowance is valid in respect of each successive year that the learnership agreement is active.

The employer may also claim a completion allowance in the year of assessment in which the learner successfully completes the learnership. The completion allowance is determined as follows:
- For agreements of less than 24 full months: equal to the annual allowance in respect of that learner; or
- For agreements of 24 full months or more: the annual allowance in respect of that learner multiplied by the number of consecutive 12-month periods within the duration of the agreement.

If a learner fails to complete the learnership, the employer may not claim this allowance in respect of that learner if they register for a new learnership, either with the same employer or with an associated institution, if the new learnership contains the same training component as the learnership that was not completed.

NQF levels

Level	Description
NQF 1 - 6	General certificate, Elementary certificate, Intermediate certificate, National certificate (Grade 12), Higher certificate, Diploma or Advanced certificate
NQF 7 - 10	Bachelor's degree, Advanced diploma, Honours degree, Postgraduate Diploma, Master's degree, Doctoral degree

Insurance policies

Type of policy	Tax consequences
Policies intended to benefit the employer, where the employer is both the policyholder and the beneficiary (key man policies)	Proceeds relating to the death, disablement or illness of an employee, former employee or director constitutes gross income for the employer. If the premiums did not qualify for a deduction, the proceeds are exempt in the employer's hands. The premiums are deductible only if: • The policy relates to death, disablement or severe illness of an employee or director (other than policies relating to these events that arise solely out of the course of employment); • It is a risk policy with no cash or surrender value;

	• The employer is the policy holder at the time of the payment of each premium; and • The policy agreement states that this deduction applies to the premiums.
Policies intended to benefit the employee, director or their nominees, where the employer is the policy holder and the employee or director is the beneficiary	These policies usually pay out directly to the employee when an insured event occurs. It could also pay out to the employer, who uses the funds to pay a benefit to the employee or their family. Where the employee has been taxed on the premiums as a fringe benefit, the proceeds of the policy will be exempt in the employee's hands. Premiums paid by the employer are deductible if: • The employer is the policy holder; • The policy relates to death, disablement or severe illness of an employee or director (other than policies relating to these events that arise solely out of the course of employment); and • The premiums paid by the employer are deemed to be a fringe benefit for the employee or director.
Policies that cover death, disablement, or severe illness, arising solely out of, and in the course of employment e.g. general work-related accident plans and travel insurance	The premiums are deductible under the general deduction formula. The premiums are not taxed in the hands of the employee as a fringe benefit. The proceeds received are not exempt
Policies where a person other than an employer is the policy holder	If the policy proceeds are of a capital nature it will not be included in gross income. If it is an income protection policy: premiums paid are not deductible and proceeds are exempt.

OTHER TAXES

DIVIDENDS TAX

Definition of a dividend

For the purpose of dividends tax, a dividend is defined as any dividend or foreign dividend that is:

- Paid by a company that is a resident;
- A cash dividend paid by a foreign company that is listed on a South African exchange;
- A deemed dividend due to secondary transfer pricing adjustments.

Levy of tax

Dividends tax is levied at a rate of 20% of the amount of a dividend paid by a company other than a headquarter company.

Timing of dividend payments

The deemed date of payment (cash and dividend *in specie)* is the earlier of the date on which the dividend is paid or becomes payable. For listed shares, a cash dividend is deemed to be paid when it is actually paid.

Liability for the dividend tax

Although the dividends tax on a cash dividend is the shareholder's tax liability, it is withheld by the company, which then pays the shareholder the net dividend amount. Where an asset is distributed as a dividend *in specie*, the company is liable for the dividends tax.

The beneficial owner is responsible to notify the company, through a written declaration and undertaking in the prescribed form, if the dividend is exempt from dividends tax, or when a reduced rate is applicable. These documents must be submitted before the dividend is

paid. This is not applicable if the beneficial owner forms part of the same group of companies as the company paying the dividend, or if a cash dividend is paid to a regulated intermediary.

The declaration and written undertaking will be valid for 5 years from the date the declaration is received, unless the declaring company is subject to the provisions of FICA or the CRS regulations.

Payment of dividend tax
Dividends tax is payable to SARS by the last day of the month following the month during which the dividend is paid, and must be accompanied by a return. Interest becomes payable on unpaid dividends tax at the prescribed rate from the end of the payment period. No percentage-based penalties are imposed for the late payment of dividend tax.

Loans by companies
Where an amount is owing in respect of a loan or advance provided by the company to a resident other than a company, who is a connected person to that company, or to someone who is connected to that person, the company is deemed to have paid a dividend *in specie*, if the loan or advance is provided by virtue of any share held in that company.

The amount of the deemed dividend is the market-related interest (official rate of interest) in respect of that loan or advance, less the amount of interest that was paid for the period that the loan was outstanding during the year of assessment.

The dividend is deemed to have been paid on the last day of the year of assessment in which the loan or advance is provided by the company.

Distribution of an asset *in specie*
If a company distributes an asset *in specie*, the dividend is equal to the market value of the asset on the date that the dividend is deemed to be paid. For listed financial instruments, this value will be the price quoted on the exchange at the close of business on the last business day before the date the dividend is deemed to be paid.

Exemptions
Any dividend is exempt from dividends tax to the extent that it does not consist of a dividend *in specie* if the beneficial owner is:
- A resident company;
- Any sphere of the government of South Africa or a municipality;
- An approved Public Benefit Organisation (PBO);
- A closure rehabilitation trust;
- Institutions, boards or bodies established under law and exempt from income tax in terms of section 10(1)(cA);
- A pension, pension preservation, provident, provident preservation, retirement annuity or benefit fund;
- An institution contemplated in section 10(1)(t) e.g. the CSIR, SANRAL;
- A small business funding entity;
- A shareholder in a registered micro business paying that dividend, to the extent that the aggregate dividends paid to all shareholders during the year of assessment does not exceed R 200 000;
- A non-resident and the dividend is paid by a foreign company listed on a stock exchange registered in terms of the Financial Markets Act;
- Any person to the extent that the dividend constitutes income of that person, or was subject to STC;
- Any fidelity or indemnity fund; or
- A natural person or their deceased or insolvent estate, in respect of a dividend paid in respect of a tax-free investment.

Refunds
Where the required declaration and undertaking was not submitted to the company by the relevant date but is then submitted within 3 years from the date of payment of the dividend, the company must refund the dividend tax to the recipient of the dividend. This refund must be made out of any dividends tax withheld by the company within 1 year of the date that the documents are submitted. If such dividends tax is insufficient to cover the refund, the company may recover the difference from SARS within 4 years of the date that the dividend was paid.

If dividends tax is paid in respect of a dividend *in specie*, as a result of the company being unable to obtain the declaration and written undertaking by the date the dividend is paid, and both of these documents are submitted to the company within 3 years after the payment of the dividend, SARS must refund the company, if the amount is claimed from SARS within that period.

VALUE ADDED TAX (VAT)

The VAT system is a self-assessment system.

Compulsory registration
If a person carries on an enterprise in or partly in South Africa, they become liable to register for VAT if the value of their taxable supplies at the end of any 12-month period has exceeded R 1 million, or at the commencement of any month where the total value of their taxable supplies, in terms of a written contractual commitment, will exceed R 1 million within the next 12 months.

Registration will not be compulsory if SARS is satisfied that the R 1 million threshold has been or is likely to be exceeded solely due to the cessation or substantial and permanent reduction in size or scale of the enterprise, the replacement of capital assets used in the enterprise or abnormal circumstances of a temporary nature.

Voluntary registration
A person may voluntarily register for VAT where they have made taxable supplies exceeding R 50 000 in the preceding 12 months, or reasonably expects to make taxable supplies in excess of R 50 000 within 12 months from the date of registration. These vendors will be registered to account for VAT on the payment basis. Once the value of taxable supplies exceeds R 50 000, VAT must be accounted for on the invoice basis unless the person qualifies to continue using the payment basis.

Registration of an enterprise supplying commercial accommodation
Commercial accommodation means lodging or board and lodging, together with domestic goods and services, in any house, flat, apartment, room, hotel, motel, inn, guest house, boarding house, residential establishment, holiday accommodation unit, chalet, tent, caravan, camping site, boathouse or similar establishment, which is regularly supplied, but excluding a dwelling supplied in terms of an agreement for the letting and hiring thereof. The definition also includes the lodging or board and lodging in a home for the aged, children, physically or mentally handicapped persons or lodging in a hospice.

Where a person supplies commercial accommodation, it will be deemed not to be an enterprise if the total value of taxable supplies made in the preceding 12 months has not, or if the value of taxable supplies that is reasonably expected to be made in a period of 12 months, will not exceed R 120 000.

Domestic goods and services include cleaning and maintenance,

electricity, gas, air conditioning or heating, a telephone, television set, radio or other similar article, furniture and other fittings, meals, laundry, nursing services or water.

Where domestic goods and services are supplied at an all-inclusive charge for an unbroken period exceeding 28 days, the value of the taxable supply is 60% of the all-inclusive value.

Registration of E-Commerce suppliers

Foreign suppliers of electronic services must register as vendors where the total value of services supplied in South Africa exceeds R 1 million in any consecutive 12-month period. These vendors will be allowed to register for VAT on the payment basis.

Registration will not be compulsory for foreign electronic service providers if the threshold has been exceeded solely due to abnormal circumstances of a temporary nature.

The registration requirements apply to any supply of electronic services carried on by a person in an export country where at least two of the following circumstances are present:

- The recipient of the electronic services is a resident of South Africa;
- Any payment for the electronic services originates from a bank registered in South Africa;
- The recipient of the electronic services has a business address, residential address or postal address in South Africa.

Electronic services means any services supplied by means of an electronic agent, electronic communication or the internet for any consideration, other than:

- Services supplied to a resident company that forms part of the same group as the foreign supplier company, where the services are supplied for the exclusive use by the resident company;
- Telecommunication services;
- Educational services provided by an entity regulated in a foreign country by an educational authority.

Where electronic services are supplied by an intermediary, who is acting on behalf of a foreign supplier and:

- The intermediary is a vendor;
- The foreign supplier is not a resident of South Africa, and is not a registered vendor; and
- The electronic services are supplied by the foreign supplier to a person in South Africa;

the supply shall be deemed to be made by the intermediary and not the foreign supplier. These intermediaries are also allowed to register for VAT on the payment basis.

Registration requirements of non-executive directors

Non-executive directors carry on an "enterprise" and are therefore required to register if their director's fees exceed or will exceed the R 1 million threshold in terms of a contractual obligation in writing in any consecutive period of 12 months.

Non-executive directors that earn fees below the compulsory VAT registration threshold may choose to register voluntarily if the minimum threshold of R 50 000 has been exceeded and all the other requirements for voluntary registration have been met.

Registration requirements for separate branches or divisions

Branches or divisions of one person can register separately for VAT purposes if the following requirements are met:

- The vendor has applied to SARS in writing for separate registration;
- Each separate enterprise maintains an independent system of accounting;
- Each separate enterprise is separately identifiable with reference to the nature of the activities carried on or their location.

Registration of foreign group companies

From 1 January 2023, where a non-resident becomes liable to register for VAT in South Africa, they may be registered as a branch of a resident registered vendor with written application to SARS, if the non-resident forms part of the same group of companies as that vendor.

Where there is more than one non-resident holding company or subsidiary in the group, they may all be registered under the same branch registration, will be deemed to be a single branch, and will be treated as a separate person from the main vendor.

Any non-resident in this group may still elect to register as an independent vendor, in which case these provisions will not apply.

Invoice basis vs. payment basis

Normally VAT must be accounted for on the invoice basis. However, where the taxable supplies in a 12-month period is less than R 2.5 million (Excluding VAT), vendors can apply to be registered on the payment basis provided that they are natural persons, or an unincorporated body of persons whose members are natural persons.

Any vendor who accounts for VAT on the payment basis shall, in respect of any supply made of goods (other than fixed property) or services of R 100 000 or more, account for VAT on the invoice basis. This rule does not apply to a public authority or municipality.

VAT periods

Category A	Taxable supplies of up to R 30 million: 2 monthly: January, March, May, July, September, November
Category B	Taxable supplies of up to R 30 million: 2 monthly: February, April, June, August, October, December
Category C	Taxable supplies more than R 30 million: monthly
Category D	Farming enterprise with taxable supplies of up to R 1.5 million and a micro business: 6 months (February and August)
Category E	Companies or trust funds who receive only rental income or administration or management fees from connected companies, who are all registered vendors and may claim full input tax on these transactions: 12-month period ending on the last day of the year of assessment. Tax invoices are issued only once a year.

Output tax

Output tax is levied at a rate of 15% on the supply of goods and services in South Africa by a registered vendor.

Three categories of supplies

Standard-rated supplies are supplies of goods and services, importation of goods and of certain services, which are taxed at the rate of 15%. A vendor making such supplies may recover the allowed input tax.

Zero-rated supplies are subject to VAT at 0%. Vendors making zero-rated supplies is entitled to recover the allowed input tax.

Examples of zero-rated supplies

Basic foodstuffs: brown bread and whole wheat brown bread (rye or low GI bread is not zero-rated), cake wheat flour, white bread wheat flour, maize meal, samp, mealie rice, dried mealies, dried beans, lentils, pilchards/ sardinella in tins, milk powder, dairy powder blend, rice, fresh vegetables and fruit, vegetable oil, milk, cultured milk, brown wheaten meal, eggs, edible legumes and pulses of leguminous plants;

Female sanitary products: sanitary pads and panty liners;

Fuel levy goods: petrol, diesel and biofuel;

Paraffin: for use as lighting and warming;

Municipal rates: property rates and taxes (excluding electricity, gas, water, drainage, disposal of sewerage and garbage);

Transportation: rendering of international transport services of passengers or goods, by any mode of transportation, from a place outside South Africa to another place outside South Africa, or a place in South Africa to a place outside South Africa, or a place outside South Africa to a place in South Africa. The supply of a domestic leg of international transport is zero-rated provided the bookings are made at the same time and the ticket reflects all the flights.

Disposal of a going concern: the disposal of a business as a going concern is deemed to be a supply of goods. The supply may be zero-rated if the following conditions are met:

- Both the seller and the purchaser are VAT vendors;
- The seller obtains a copy of the purchaser's VAT registration form;
- The sales agreement is in writing and state that:
  - The business is sold as a going concern;
  - The VAT rate is 0%;
  - The business will be an income-earning activity on the date of transfer;
  - All the assets necessary for the carrying on of the enterprise must be disposed of by the supplier;
  - The enterprise will remain active and operating until its transfer to the purchaser.

An agreement to dispose of a dormant business cannot be zero-rated as it does constitute an income earning activity. The sale of shares is not the sale of a going concern, but is exempt from VAT instead.

Export of goods: goods consigned or delivered by the vendor to an address in the export country. The following documentary proof is required before the export can be a zero-rated supply:

- The order from the foreign customer;
- A copy of the vendor's zero-rated tax invoice;
- A copy of the transport document and proof that the vendor paid for the transport of the goods from South Africa;
- A copy of the customs documentation bearing a customs date stamp;
- Proof of payment by the customer;
- Proof that the goods were received by the customer in the export country e.g. a signed delivery note.

Services supplied to non-residents: If supplied to non-residents who are outside the country at the time the services are rendered.

Exempt supplies

Exempt supplies are not subject to VAT. Vendors who supply these services may not recover any related input tax.

Examples of exempt supplies

Financial services: exchange of currency; issue or transfer of ownership of a share or member's interest; provision of credit with interest; contributions and proceeds i.r.o membership of a retirement or medical aid fund; life insurance policies, issue, acquisition, buying, selling or transfer of ownership of cryptocurrency. A fee, commission or similar

charge relating to an exempt service is taxable at the standard rate of 15%. A fee for providing advice on these services is also taxable at 15%;
Residential accommodation: supply of a dwelling by way of letting and hiring. A dwelling is defined as any building, premises or structure that is used predominantly as a place of residence by a natural person. This exemption also applies to lodging or board and lodging provided by an employer to their employee as a benefit of employment;
Transport by road or railway: transport of fare-paying passengers and their personal effects e.g. bus, taxi or train;
Education services: supplied by a school, university, technicon or college for the benefit of learners e.g. school fees, tuition fees, accommodation;
Membership contributions: to employer organisations e.g. trade unions;
Childcare services: creche or after school centre;
Levies: received by body corporates or associations such as home-owners associations, formed solely to manage the collective interest of residential property of its members.

Deemed supplies
Person ceasing to be a vendor: Whenever a person ceases to be a vendor, any goods which form part of the enterprise, excluding goods on which an input tax deduction was denied, are deemed to be supplied immediately prior to such cessation. The output tax is charged at a rate of 15/115 on the lesser of the cost of the goods (including VAT) or their open market value. The vendor is also required to account for output tax on any outstanding balances owing to suppliers (not older than 12 months) in respect of which input tax was previously claimed.
Outstanding balances owing to suppliers older than 12 months: Where a vendor registered on the invoice basis claimed input tax in respect of goods or services supplied to them and has not paid the full consideration for the supply within a period of 12 months after the tax period within which such input tax was claimed, the vendor must account for output tax. Such output tax will be equal to the tax fraction of that portion of the consideration which has not been paid, at the rate applicable at the time of such deduction.
Certain fringe benefits: Where a vendor grants a benefit to an employee that consists of the supply of goods or services (such as assets acquired at less than its actual value, rights to use assets or free services), the vendor must account for output tax at a rate of 15/115 on the cash equivalent of such benefit as determined in accordance with the Seventh Schedule of the Income Tax Act. If this benefit constitutes the right to use the employer's vehicle, a specific formula is prescribed by regulation to determine the value of the deemed supply.

Insurance payouts received: A vendor may claim input VAT on short term insurance premiums paid.
When a vendor receives any indemnity payment from an insurer a deemed output arises in the following two instances:
- Where the vendor receives the insurance payout directly from the insurer.
- Where a third party receives the insurance payout, thereby indemnifying the vendor against losses.

However, there will be no deemed supply where the payments:
- Are not related to taxable supplies made by the vendor.
- Relate to goods or services for which input Vat was denied e.g. motor cars. (From 1 January 2024 this exclusion does not require the total replacement of goods anymore for example when the goods are stolen or beyond economic repair).
- Is made to a third party as consideration for the supply of goods or services being reinstated (to replace damaged or stolen items).

Time of supply rules
General rule: Earlier of the invoice date or the date of payment received.
Connected persons: when the goods are removed or made available or when the services are rendered.
Rental agreements: earlier of the date on which payment is due, or the date on which payment is actually received.
Instalment credit agreements: earlier of time of delivery of the goods or the time any payment is received.
Fixed property: earlier of the date of registration in a deeds registry, or the date on which any payment is made for the supply.

Value of supply rules
General rule: the amount of consideration in money, or the open market value of the consideration if it is not in money. A deposit is not treated as consideration unless it is applied towards the supply.
Connected persons: if the supply is made for no consideration, for less than the open market value, or if the consideration cannot be determined at the time of supply, and the purchaser would not have been able to claim a full input tax credit, the consideration is deemed to be the open market value.
Instalment credit agreements: the cash value of the supply, including Vat but excluding finance charges.

Input tax
Input tax is the VAT paid by the vendor on supplies of goods and services made to them by other vendors and which the vendor is entitled to claim back from SARS. It also includes VAT paid on the import of goods as well as the notional input (15/115) of the cost of second-hand goods acquired from a resident non-vendor. To claim input tax, the goods or services must be used wholly or partly for the purposes of consumption or supply in the course of making taxable supplies.

Prohibited input tax
Entertainment expenses: VAT cannot be claimed in respect of goods or services acquired by a vendor to the extent that such goods or services are acquired for the purposes of entertainment. Entertainment is defined as the provision of any food, beverages, accommodation, entertainment, amusement, recreation or hospitality of any kind. This prohibition does not apply to vendors who supply entertainment to customers for a consideration which covers all the direct and indirect costs of such entertainment or is equal to the open market value of such supply. The input tax will also be allowed if the entertainment is ancillary to taxable air or sea travel and provided at no additional charge. If an employee or office holder of the vendor is away from their residence and usual working place in South Africa for at least one night on business, the VAT on subsistence expenses paid by the vendor e.g. food and hotel accommodation may be claimed as input.
Motor cars: Input tax cannot be claimed in respect of any motor car supplied to or imported by the vendor, whether the supply is by way of purchase or lease. A motor car is defined as a motor car, station wagon, minibus, double cab light delivery vehicle and any other motor vehicle normally used on public roads, which has 3 or more wheels, and is constructed or converted wholly or mainly for carrying passengers. It excludes vehicles capable of accommodating only one person or suitable for carrying more than 16 persons, or caravans, ambulances, vehicles of unladen mass of 3 500 kilograms or more, game viewing vehicles or hearses. This prohibition does not apply to motor dealers.
Fees or subscriptions: No input tax may be claimed in respect of any fees or subscriptions paid by the vendor in respect of membership of any club,

association or society of a sporting, social or recreational nature. Input tax on subscriptions paid to a professional association can be claimed.

Second-hand goods

Goods (movable and immovable) that were previously owned and used. Intangible assets such as patents, trademarks and copyrights are not goods and therefore cannot be second-hand goods.

Second-hand goods exclusions

- Animals;
- Gold coins issued by the South African Reserve Bank;
- Any goods consisting solely of gold unless acquired solely to supply it without any further processing (99.5% purity or 24 carat gold);
- Any other goods containing gold unless those goods are acquired for the sole purpose of supplying it in the same or substantially the same condition to another person.

The notional input tax is calculated by applying the tax fraction (15/115) to the lesser of the purchase price or the open market value.

The notional input may only be claimed to the extent that payment is made for the supply. If the goods are purchased on loan account, the notional input tax is only claimed as and when the loan is repaid.

The seller must be a resident of South Africa and must not be a vendor. The sale must also take place in South Africa.

The recipient of second-hand goods must obtain and retain the following documentation:

- Natural person: name and ID number of the supplier;*
- Legal person: name and ID number of the natural person representing the supplier and any legal registration number*;
- Address of the supplier;
- Date of the transaction;
- Description of the goods;
- Quantity or volume of goods;
- Consideration for the supply;
- Proof and date of payment;
- Declaration by the supplier that it is not a taxable supply.

*The recipient must retain a copy of the supplier's ID document or company letterhead.

The notional input tax that may be claimed by a vendor acquiring second-hand fixed property from a non-vendor, is deferred to when the transfer of that fixed property is affected by registration in a deeds registry and is limited to the extent of actual payment made by the vendor.

Temporary letting of residential property by property developers

The supply of residential fixed property by a property developer is subject to VAT at the standard rate of 15%, whereas the leasing/renting of residential property is an exempt supply. Property developers are entitled to claim input tax on the costs incurred to develop the property.

Where the property developer is unable to sell the residential property and enters into a lease agreement until a buyer is found, the property developer is required to make an output tax adjustment.

Section 18D provides relief for property developers for the temporary letting of residential accommodation for a combined total period not exceeding 12 months.

Where the developer temporarily applies a dwelling in supplying exempt residential accommodation, a deemed supply will arise for a

consideration equal to the adjusted cost of the dwelling. The adjusted cost is the cost of any goods or services incurred by the developer where VAT has been charged.

From 1 April 2024, the adjusted cost includes the cost of the land in respect of which input tax was claimed.

The supply will be deemed to be made on the earlier of the date within the tax period that the rental agreement comes into effect or the dwelling is occupied. The output VAT effectively reverses the input VAT that was initially claimed.

If the property is subsequently disposed of within the temporary 12-month period, output VAT must be levied on the selling price of the property at the standard rate of 15%. This includes a written agreement for the sale of the property that is concluded during the temporary applied period even if the transfer occurs after the expiry of the 12 month period. Input tax can be claimed based on the adjusted cost of the fixed property. This means that the developer still receives the benefit of the input tax as the property is disposed of in the course of making taxable supplies.

If the property is permanently applied for a purpose other than the making of taxable supplies, including letting the property for a period exceeding 12-months, output tax must be levied on the open market value of the property, at the earlier of when the 12-month letting period has been exceeded, or the time that the vendor applies the property permanently for a purpose other than making taxable supplies. Input tax may be claimed by using the adjusted cost of the property. The subsequent sale of the property will not be a taxable supply, which means the purchaser will have to pay transfer duty.

If the property is no longer applied in supplying residential accommodation immediately after the expiry of the temporarily applied period not exceeding 12 months, no output VAT is levied as there is no change in use adjustment and no actual supply of the property. The input tax previously reversed can still be claimed based on the adjusted cost of the fixed property.

Import of goods

VAT must be paid on the import of goods into the Republic above a R 100 per parcel, whether or not the importer is a vendor. The VAT is calculated as follows:

- VAT = 15% x [Purchase price + customs duty + 10% of customs value]

Please note: For imports from BLNS countries, the 10% of the customs value is not added.

Documentation requirements

No input tax may be claimed unless the vendor is in possession of a valid tax invoice.

A tax invoice must be issued for every taxable supply made by a vendor within 21 days of the date of a supply. Only one original tax invoice can be issued per supply. If a copy of a tax invoice is made it must be clearly marked “copy”.

Where the supplier is informed by the recipient that information on the tax invoice is incorrect and requested to correct it, the supplier must correct the initial document with the correct particulars within 21 days from the date of the request, which correction will not constitute an

offence. The supplier must obtain and retain information sufficient to identify the transaction to which the first document and the corrected tax invoice refers.

Please note: corrections do not alter the original time of supply.

Tax invoice requirements

- The words tax invoice, VAT invoice, or invoice;
- The name, address and VAT registration number of the supplier;
- The trading name, address and VAT registration number of the recipient if the invoice is for more than R 5 000, otherwise an abridged tax invoice may be issued without these details;
- An individual serial number;
- The date upon which the invoice is issued;
- A description of the goods or services supplied;
- If the goods supplied are second hand, this fact must be stated;
- The quantity or volume of the goods or services supplied;
- Either the value of the supply, plus the VAT charged, and the consideration, or the consideration for the supply and a statement that it includes VAT charged and the rate at which the tax is charged;
- Stated in South African currency unless it is a zero-rated supply.

Where a supply is in cash and does not exceed R 50, the supplier must give the recipient a document that is acceptable to SARS.

Where a tax invoice has been issued and the supply is cancelled or fundamentally altered or varied, or the amount has been altered, or there is an error in the amount on the original invoice, the vendor must issue a credit note or debit note reflecting the change. From 1 April 2024, it will also apply to prepaid vouchers issued by a telecommunication vendor, and the nature of the supply specified on such vouchers has been fundamentally altered.

Submission of VAT returns

Electronic VAT returns (via e-filing) must be submitted and paid by the last business day of the month after the end of the tax period. Manual VAT returns and other forms of payments must be submitted and paid by the 25th day of the month following the end of the tax period. If the submission day falls on a weekend or a public holiday, the return must be submitted on the last business day before the weekend or public holiday.

Refunds

If the input tax exceeds the output tax, or if an amount is erroneously paid i.r.o. an assessment, a vendor is entitled to a refund.

SARS must refund the VAT within 21 business days from the date that the vendor submits all the relevant material requested by SARS or where the return is not subject to an audit or verification, from the date on which it was submitted. Interest must be paid by SARS at the prescribed rate if they fail to pay the refund in time.
An amount of less than a R 100 is not refundable, but is carried forward on the vendor's account.

Where the vendor has any other outstanding tax debt, the refund amount plus the interest may be applied against the outstanding tax debt.

A vendor must claim a refund within 5 years form the date of the assessment, otherwise it will be forfeited by the vendor.

Late payment of VAT
If VAT is paid late, a penalty of 10% is payable, plus interest at the prescribed rate for the period the VAT remains unpaid.

DONATIONS TAX

A donation means any gratuitous disposal of property including any gratuitous waiver or renunciation of a right. A donation shall be deemed to take effect on the date when all the legal formalities for a valid donation have been complied with.

Donations tax is payable on the value of any property disposed of under any donation by a South African resident. Donations tax does not apply to non-residents even if they donate South African assets.

Donations tax is levied at a rate of 20% of the value of the property donated if the aggregate value of the donation and all property donated under a taxable donation from 1 March 2018 does not exceed R 30 million. If this aggregate value of donations exceeds R 30 million, the first R 30 million is taxed at 20%, while the excess is taxed at 25%. The R 30 million is not an annual threshold but a lifetime threshold.

Annual exemption

Type of person	Annual exemption
Natural person	R 100 000
Other persons (apportioned if the year of assessment is less than 12 months)	R 10 000

Where more than one donation is made during a year, the exemption must be applied in the order in which the donations were made.

Exemptions
- *Bona fide* maintenance payments;
- Donations to tax exempt Public Benefit Organisations, recreational clubs, and qualifying traditional councils and communities;
- Donations between spouses who are not separated;
- Donations where the donee will not benefit until after the death of the donor;
- Donations made in contemplation of death;
- Donations made by a public company;
- Donations between companies forming part of the same group;
- Donations cancelled within 6 months of the date on which it took effect;
- Distribution by a trust to the beneficiaries of the trust;
- Donation of property, or a right in property situated outside South Africa, if acquired by the donor before becoming resident in South Africa for the first time, or by inheritance or donation from a person that was not ordinarily resident in South Africa at the time.

Donations tax is payable by the donor. The tax is payable by the end of the month following that in which the donation takes effect. If the donor fails to pay the tax within the prescribed period, the donor and the donee become jointly and severally liable for the tax.

Interest will be levied on the late payment of donations tax. Donations tax is subject to the penalty provisions in the Tax Administration Act, but there is no late payment penalty.

ESTATE DUTY

When a person passes away, the assets of that person at the date of death forms part of the deceased estate before the assets are distributed to the respective heirs.

Estate duty payable

Estate duty is charged on the dutiable amount of the estate at a rate of 20% on the first R 30 million and thereafter at a rate of 25% on the excess above R 30 million.

The 'dutiable amount' is the total value of the estate property, less certain admissible deductions, less the abatement of R 3.5 million.

The estate

The estate of a deceased person who was ordinarily resident in South Africa consists of all their worldwide property and deemed property.

If the deceased was not ordinarily resident in South Africa, their South African estate would generally comprise of all enforceable rights to property in South Africa.

Admissible deductions

- Deathbed and funeral expenses;
- Debt owed to persons ordinarily resident in South Africa that has been settled with property that forms part of estate;
- Costs which have been allowed by the Master in the administration and liquidation of the estate;
- All expenditure incurred in carrying out the requirements of the Master or SARS;
- Assets situated outside of South Africa, acquired by the deceased prior to becoming ordinarily resident in South Africa;
- An amount of any claim by the surviving spouse;
- Value of any property that accrues to any public benefit organisation or institution which is exempt from tax;
- Improvements made to the property by the beneficiary during the lifetime of the deceased, with the deceased's consent, that enhanced the value of the property;
- Remaining assets accruing to a surviving spouse.

Lump sums received from retirement funds

All lump sum benefits received in consequence of death from a retirement fund will be exempt from estate duty.

Portable estate duty abatement

The unutilised portion of the R 3.5 million abatement may be rolled over from the deceased to a surviving spouse's estate. This means that the surviving spouse can use a maximum abatement of R 7 million. The executor of the deceased must submit a copy of the estate duty return of the predeceased spouse, or other relevant material as SARS may regard as reasonable, for the surviving spouse to qualify for this.

Executor's fees

The executor is entitled to an administration fee of up to 3.5% of the value of the property in the estate and 6% of all income accumulated through the course of the finalisation of the deceased estate.

Successive death rebate

Relief is provided if the same property is included in the estate of taxpayers passing away within 10 years of each other. This is calculated as a reduction in the estate duty attributable to the relevant asset:

- 100% (year 0 – 2); 80% (year 3 - 4); 60% (year 5 – 6); 40% (year 7 – 8); 20% (year 9 – 10).

Where spouses pass away at the same time, the spouse with the smaller estate must be deemed to have passed away first.

SECURITIES TRANSFER TAX (STT)

STT is payable by the purchaser at a rate of 0.25% on the transfer of all shares in companies incorporated in South Africa as well as foreign companies listed on the South African stock exchange. It is also payable on the transfer of a member's interest in a close corporation. No STT is payable on the original issue of shares.

STT is payable on the higher of the consideration paid or the market value of the securities transferred. It is payable by the purchaser if the securities are transferred. If the shares or securities are cancelled or redeemed, the entity cancelling or redeeming the shares is liable for it. STT can only be paid electronically.

STT is not payable where a security is cancelled or redeemed by an issuing company that is being wound up, liquidated or deregistered.
STT on listed securities must be paid by the 14th day of the month following the month during which the transfer occurred. STT on unlisted securities must be paid by the end of the second month following the month during which the transfer occurred.

The late payment of STT is subject to a 10% penalty. Interest will also be imposed at the prescribed rate.

PROVISIONAL TAX

Definition of provisional taxpayer

- Any person other than a company who derives:
  - Income which is not remuneration, an allowance or advance; or
  - Remuneration from an employer who is not registered for employees' tax;
- Any company;
- Any person notified by SARS that he/she is a provisional taxpayer.

Exclusions

- Any individual who does not derive any business income, if:
  - Their taxable income for the year of assessment does not exceed the relevant tax threshold; or
  - Their taxable income for the year of assessment derived from interest, dividends, foreign dividends, rental from the letting of fixed property and remuneration from an unregistered employer does not exceed R 30 000;
- Any tax exempt Public Benefit Organisation or recreational club;
- A body corporate, share block company or association of persons formed solely for purposes of managing the collective interest common to all its members;
- A small business funding entity;
- A deceased estate;
- An association as defined in section 30B of the Income Tax Act.

Estimate of taxable income

Every provisional taxpayer must, during every period within which provisional tax is payable, submit a provisional tax return reflecting an estimate of taxable income in respect of the year of assessment.

Where a taxpayer has a year of assessment of 6 months or less, whether by reason of death, changing tax residency, a company being incorporated during a year or that changes their financial year, the first provisional tax payment and return is not required.

Where a taxpayer passes away during a year of assessment, no estimate of provisional tax is required for the period ending on the date of death. For natural persons, the estimate shall exclude any retirement fund lump sum, retirement fund lump sum withdrawal or any severance benefit received. The taxable portion of aggregate capital gains must be included in the first and second provisional tax payment calculations.

SARS may call upon a provisional taxpayer to justify any estimate, or to furnish particulars of the income and expenditure or any other particulars that may be required. If SARS is dissatisfied with the estimate, they may increase it to what they consider reasonable. The increase of the estimate is not subject to objection and appeal.

If a taxpayer fails to submit an estimate, SARS may determine the estimate with the information at their disposal. This estimate will be final and conclusive.

Basic amount
The basic amount is the taxable income reflected in the latest assessment issued by SARS, not less than 14 days before the date the taxpayer submits the provisional tax return, excluding:

- Any taxable capital gain and the taxable portion of any retirement fund lump sum, retirement fund lump sum withdrawal or any severance benefit;
- Any lump sum benefits arising from variation of office, including any amount received by an employee under a policy of insurance held by the employer, or ceded by the employer to the employee included in the taxpayer's taxable income for that year of assessment.

For a company, the basic amount is the taxable income as assessed by SARS for the latest preceding year of assessment, less the amount of any taxable capital gain.

Where the estimate must be made more than 18 months after the end of the latest preceding year of assessment that has been assessed, the basic amount must be increased by 8% per annum, from the end of the latest preceding year of assessment to the end of the year of assessment in respect of which the estimate is made.

First year of assessment
Where a taxpayer has not been assessed previously, a reasonable estimate of taxable income must be made. The basic amount cannot be estimated as nil unless it is fully motivated.

First provisional payment
Within 6 months after the commencement of the year of assessment (for individuals: 31 August), an amount equal to half of the tax on the estimated taxable income for the year of assessment, less any employees' tax paid to date and foreign tax rebates in terms of section 6*quat*, must be paid to SARS. The estimated taxable income must not be less than the basic amount (as discussed above) unless SARS approves a lower estimate.

Second provisional payment
Payable on or before the last day of the year of assessment (for individuals: the end of February). This is determined as the tax on the estimated taxable income for the year of assessment, less any employees' tax paid to date, foreign tax rebates in terms of section 6*quat* and the first provisional tax payment.

Taxable income of R 1 million or less: The estimated taxable income must not be less than the lower of:
- The basic amount (as discussed above); or
- 90% of actual taxable income (including taxable capital gains) for the year of assessment.

Taxable income of more than R 1 million: The estimated taxable income must not be less than 80% of actual taxable income (including taxable capital gains) for the year of assessment.

Penalty for underpayment because of underestimation
Taxable income of R 1 million or less: The penalty is 20%, based on the lower of either normal tax on 90% of taxable income or normal tax on the basic amount, less any employees' tax and provisional tax already paid by the end of the year of assessment.

Taxable income of more than R 1 million: The penalty is 20%, based on normal tax on 80% of taxable income, less any employees' tax and provisional tax already paid by the end of the year of assessment.

Please note that any retirement fund lump sum, retirement fund lump sum withdrawal or severance benefit, received by or accrued to the taxpayer during the year of assessment shall not be included for this calculation. Any lump sum received from an employer in respect of variation or loss of office is however included in the penalty calculation.

If a provisional taxpayer fails to submit a provisional tax return within 4 months after the last day of the year of assessment, the taxpayer is deemed to have submitted a nil return.

If SARS is satisfied that the failure to submit an estimate was not due to an intent to evade or postpone the payment of provisional or normal tax, it may remit the whole or any part of the 20% underestimation penalty.

Penalty on late payment of provisional tax
If a provisional taxpayer fails to pay the provisional tax within the prescribed period, a penalty will be levied at 10% of the unpaid amount. The 20% underestimation penalty in respect of the second provisional tax payment must be reduced by this penalty.

Third provisional payment
Companies and close corporations with taxable income for the year of assessment of more than R 20 000 and individuals and trusts with taxable income for the year of assessment of more than R 50 000 may make a third payment to avoid interest on underpayment.

For taxpayers with a February year-end, the third payment could be made within 7 months after the end of the year of assessment (up to 30 September). For other taxpayers the payment should be made within 6 months after the end of the year of assessment.
The third payment is not compulsory and there is therefore no penalty for it for late or underestimated payments.

Offences
Any person who wilfully or negligently fails to submit any estimate of taxable income is guilty of an offence and is liable, upon conviction, to a fine or to imprisonment for a period not exceeding two years.

CAPITAL GAINS TAX (CGT)

CGT is payable upon the disposal or deemed disposal of a capital asset.

If a capital asset is sold at a profit, the profit is subject to CGT, and if it is sold at a loss, the capital loss can be set-off against other capital profits. If there are no other capital profits in the year, the capital loss is carried forward to the next year.

Calculation

Proceeds from disposal of an asset	xxx
Less: Base cost of an asset	(xxx)
Capital gain/loss on specific asset	xxx
Add: Capital gains/losses of all other assets disposed of during the year of assessment	xxx
Less: Annual exclusion (only natural persons or special trusts)	(xxx)
Aggregate capital gain/loss	xxx
Less: Assessed capital losses brought forward from previous year of assessment	(xxx)
Net capital gain/loss for the year *	xxx

*A net capital loss must be carried forward to the next year of assessment. No set-off is allowed against taxable income.

Annual exclusions

Type of taxpayer	2024	2025
Natural persons and special trusts	40 000	40 000
From 1 March 2023, this exclusion will be limited where the taxpayer has a year of assessment of less than 12 months. A maximum of R 40 000 may be utilised during a period of 12 calendar months (March to February), even if that period contains multiple years of assessment.		
Natural persons in year of death	300 000	300 000
Other trusts	0	0
Companies	0	0

The annual exclusion cannot be carried forward to the following year of assessment.

Inclusion rates

Type of taxpayer	2024	2025
Natural persons, special trusts, deceased and insolvent estates	40%	40%
Other trusts	80%	80%
Companies	80%	80%

Effective rates

Taxpayer	Inclusion rate (%)	Statutory rate (%)	Effective rate (%)
Individuals, deceased and insolvent estates	40	0 - 45	0 - 18
Trusts (normal)	80	45	36
Trusts (special)	40	18 – 45	7.2 – 18
Companies	80	27	21.6

Residents
Residents pay CGT resulting on the disposal of their worldwide assets.

Non-residents
Non-residents will only be subject to CGT on disposal of the following:
- Fixed property or an interest in fixed property in South Africa;
- Assets of a permanent establishment in South Africa.

An interest in immovable property in South Africa includes:
- Equity shares held in a company;
- The ownership or right to it of any other entity; or
- A vested interest in the assets of a trust.

If a non-resident disposes of an interest and 80% or more of the market value of the interest is directly or indirectly attributable to immovable property in South Africa, and the non-resident together with connected persons directly or indirectly holds at least 20% of the interest in the company or other entity, the gain will be subject to CGT.

Asset
Any property, movable or immovable, corporeal or incorporeal as well as a right or interest in such property. Specifically excluded is any currency, except for coins made mainly from gold or platinum. It does however include crypto-assets.

Disposal of assets
A disposal arises when there is an event, act forbearance or operation of law that results in the creation, variation, transfer or extinction of an asset. It specifically includes:
- Sale, donation, expropriation, conversion, granting, cession, exchange, or any other alienation or transfer of ownership;
- Forfeiture, termination, redemption, cancellation, surrender, discharge, relinquishment, release, waiver, renunciation, expiry or abandonment;
- Scrapping, loss or destruction;
- Vesting of an interest in a trust asset in a beneficiary;
- Distribution of an asset by a company to a shareholder;
- Granting renewal, extension or exercising of an option;
- Decrease in the value of an interest in a company, trust or partnership as a result of a value shifting arrangement.

Deemed disposals to determine a capital gain and loss
- A person ceasing to be a resident;
- Capital assets become trading stock;
- Non-personal use asset becomes a personal use asset;
- The removal of a listed security from a South African Exchange to an exchange outside South Africa in the hands of the South African resident (individuals and trusts) holding the listed security;
- A deemed disposal arises in the hands of a shareholder who holds at least 10% interest in a resident company, when that company ceases to be a tax resident in South Africa;
- Disposals to a deceased estate or heir by a deceased person.

The assets are deemed to be disposed of at market value and then re-acquired at the same market value.

Deemed disposals to establish a base cost at market value
- A non-resident who becomes a resident;
- Trading stock becomes a capital asset;
- Personal use asset becomes a non-personal use asset.

Proceeds
Proceeds constitute the amounts received or accrued to the taxpayer in respect of the disposal of assets, and includes an amount by which any debt owed by the person has been reduced or discharged by the creditor:

Proceeds excludes:
- Amounts included in gross income or taken into account in determining taxable income e.g. recoupment of capital allowances;
- A reduction of the proceeds e.g. the price is reduced;
- Output tax levied and paid to SARS by vendors.

Time of disposal
The time of disposal is the day on which ownership changes. For certain transactions, there are specific rules that govern the time of disposal:
- For disposals governed by an agreement without suspensive conditions: the date on which the agreement is concluded.
- For disposals governed by an agreement with suspensive conditions: when all these conditions are fulfilled.
- For donations, all the legal requirements of a valid transfer must be complied with.
- For a distribution of an asset by a trust it is the date that the interest in the asset vests in the beneficiary.

Base cost
The base cost of assets consists of the following expenses:
- Acquisition or creation costs;
- Valuation costs for CGT purposes;
- Direct cost of acquisition or disposal e.g. paid to a surveyor, valuer, auctioneer, accountant, broker, agent, consultant, legal advisor;
- Transfer costs;
- Cost incurred to obtain electrical certificate;
- Stamp duty, transfer duty or securities transfer tax;
- Advertising costs to find a buyer or seller;
- Sales commission;
- Any cost to move the asset;
- Installation costs e.g. foundations and supporting structures;
- Portion of donation tax payable by donor or donee;
- Costs incurred in defending or maintaining a legal right to the asset;
- Costs of improving the asset. The relevant improvement does not need to reflect in the asset at the time of disposal;
- Option costs to obtain the asset;
- Where the asset consists of listed shares or a participatory interest in a portfolio of a collective investment scheme: one-third of interest incurred in financing the shares.

The following expenditure may not be included in the base cost:
- Borrowing costs, raising fees, bond registration and cancellation costs, repairs and maintenance, security costs, insurance, rates and taxes, input tax that was claimed by vendors.

The base cost of an asset must be reduced by the following amounts:
- Expenditure already allowed as a deduction in calculating taxable income e.g. capital allowance;
- Expenditure that is reduced, recovered or paid by another person;
- The debt benefit that arises in terms of paragraph 12A on a debt associated with the asset that is reduced or cancelled.

Assets obtained before valuation date
The base cost is the valuation date value of the asset plus any qualifying expenses incurred after valuation date. The valuation date value could be one of the following values:
- Market value of the asset on 1 October 2001;
- Time apportionment base cost (the apportionment of costs by way of a formula plus post valuation date costs); or
- 20% of the proceeds received, after deducting allowable expenses incurred after 1 October 2001.

Market value of the asset on valuation date
- Listed South African shares: Published values as per Gazette;
- Foreign listed shares: Ruling price on the last business day before 1 October 2001;
- Other assets: Market value if determined within 3 years after the valuation date.

Transfer of assets between spouses
The transferor spouse must disregard any capital gain or capital loss when they dispose of an asset to their spouse.

The receiving spouse is treated as having acquired the asset on the same date that the transferor acquired it, used it in the same way and incurred expenditure on the asset of the same amount, in the same currency and on the same date.

These rules do not apply in respect of the disposal of an asset by a person to their spouse who is not a resident, unless the asset disposed of is immovable property in South Africa or an interest in immovable property in South Africa.

Exclusions
Certain capital gains and losses are excluded from CGT. These include:

Primary residence
Primary residence is any structure including a boat, caravan or mobile home which is used as a place of residence by a natural person or the beneficiary of a special trust.

The natural person or a beneficiary of the special trust or a spouse of the person or beneficiary must ordinarily reside in the residence and regard the residence as their main residence, and use or have used it mainly (more than 50%) for domestic purposes.

Only one residence at a time can qualify as a primary residence. A holiday home will never qualify as a primary residence.

A person will be treated as being ordinarily resident in a residence for a continuous period of up to two years, if they did not reside in it during this period for any of the following reasons:
- The residence was offered for sale and was vacated due to the acquisition, or intended acquisition of a new primary residence;
- The residence was erected on land acquired for the purpose of building a primary residence;
- The residence was accidentally rendered uninhabitable;
- The taxpayer passed away.

The first R 2 million of any capital gain or loss on the disposal of primary residence must be disregarded. If the primary residence is sold for R 2 million or less, the full capital gain must be disregarded.

Where more than one individual or special trust holds an interest in the same primary residence, the R 2 million exclusion must be apportioned in relation to such interests.

The exclusion only applies to the residence and the land on which it is built, provided that the size of the land does not exceed 2 hectares, that it is only used for domestic purposes and that the land and residence is disposed of together to the same person. Where the size of the land exceeds 2 hectares, the gain applicable to the land must be apportioned.

If the residence is used for business purposes as well, the capital gain or loss to be excluded must be calculated on a pro-rata basis for the portion and period it was used for domestic purposes.

A primary residence would still qualify for the exclusion even if it is rented out, provided that the lease does not exceed 5 years, the owner lived there for at least a year before and after the lease, did not have any other primary residence during this period, and was employed or carried on a business in South Africa at a location further than 250 kilometres form the residence.

Personal use assets
The disposal of assets which are mainly used for purposes other than carrying on a trade e.g. personal jewellery, private art collection or personal furniture are also excluded from CGT. The exclusion is not applicable to the following assets:
- Gold or platinum coins;
- Immovable property;
- Aircraft with an empty mass exceeding 450kg;
- A boat exceeding 10 metres in length;
- A financial instrument (includes crypto-assets);
- A fiduciary, usufructuary or like interest, the value of which decreases over time;
- A short-term insurance policy for non-personal use assets;
- A right or interest in any of the above-mentioned assets.

Retirement benefits
A lump sum benefit from a pension, pension preservation, provident, provident preservation or retirement annuity funds is not subject to CGT.

Disposal of small business assets
Where a natural person makes a capital gain on the disposal of active business assets of a small business, they can disregard up to R 1.8 million of the capital gain. The asset can also be an interest in a partnership or a share of at least 10% in a company.

A small business is a business where the market value of all the assets does not exceed R 10 million at the date of the disposal.

Active business assets consist of immovable property and other assets that are used or held wholly or exclusively for business purposes. If the immovable property is not held wholly or exclusively for business purposes, the R 1.8 million exclusion will only apply to the extent that it is held for business purposes. Active business assets do not include financial instruments or assets held mainly to earn rental, annuity or royalty income, foreign exchange gains or similar income.

The person disposing of the assets must:
- Be a natural person of 55 years or older, or dispose of the business due to ill health, other infirmity, superannuation or death;
- Have had the business or interests for a continuous period of at least 5 years prior to disposal;
- Have been substantially involved in the business during that period;
- Have realised all qualifying capital gains within a period of 24 months from the date of the first qualifying disposal.

The exemption of R 1.8 million is cumulative over a person's lifetime.

Disposal of micro business assets
A registered micro business will not be subject to capital gains tax and may not deduct any capital loss which arises on the disposal of any asset if it is part of the micro business.

50% of the capital receipts from the disposal of fixed property and other assets (other than trading stock and financial instruments) used mainly for business purposes, will however be included in the taxable turnover of the micro business.

Gambling, games and competitions
A natural person must disregard a capital gain or loss relating to any form of gambling, game or competition, if it is authorised by and conducted under the law of South Africa. The following capital gains will be subject to CGT:
- Foreign winnings by natural persons;
- Illegal gambling, games and competitions in South Africa;
- Capital gains by companies, trusts and other non-natural persons from any gambling, games or competitions whether local or foreign, lawful or unlawful.

Other exclusions
- Compensation for personal injury, illness or defamation;
- Capital gain or loss in respect of a risk policy with no cash value or surrender value;
- Insurance benefits accruing to employees if the amount of premiums paid by the employer has been deemed to be a taxable fringe benefit;
- Donations and bequests to approved Public Benefit Organisations;
- Assets disposed of by persons or institutions that are exempt from income tax;
- Assets used to generate income that is exempt from income tax except for assets used to produce interest, shares from which dividends are received and the copyright of a first owner thereof.

GENERAL
Doubtful debt allowance
A doubtful debt allowance can only be claimed if:
- The debt is due to the taxpayer; and
- It was included in the income of the taxpayer.

For companies not using IFRS 9 for financial reporting purposes the allowance is calculated as follows:
- 40% of debts in arrears for 120 days or more; plus
- 25% of debts in arrears for 60 days or more.

The amount of debt subject to the allowance is the amount after taking into the account the value of any security provided in respect of the debt.

SARS may, on application, issue a directive that the 40% be increased to a percentage not exceeding 85%, after considering:
- The history of a debt owed to that taxpayer, including the number of repayments not met and the duration of the debt;
- Steps taken to enforce repayment of the debt;
- The likelihood of the debt being recovered;
- Any security available in respect of that debt;
- The criteria applied by the taxpayer in classifying debt as bad; and
- Such other considerations as SARS may deem relevant.

The allowance must be added back in the following year of assessment.

Interest free or low interest loans
Section 7C applies to any loan, advance or credit granted directly or indirectly by a natural person, or a company at the instance of a natural person that is connected to the company (i.e. a company in which that natural person, either individually or together with a connected person or persons, holds an interest of at least 20%), to:

- A trust that is a connected person in relation to that natural person, company or in relation to any of their connected persons;
- A company, if at least 20% of the equity shares in the company are held, directly or indirectly, or the voting rights in that company can be exercised, by a trust (that is connected to the individual or company granting the loan), whether alone or together with any beneficiary of the trust, the spouse of a beneficiary or any person related to the beneficiary or spouse within the second degree of consanguinity.

Where:

- A natural person; or
- At the instance of a natural person, a company that is a connected person in relation to that natural person;

subscribes for a preference share in a company in which 20% or more of the equity shares are held (whether directly or indirectly), or the voting rights can be exercised, by a trust that is a connected person in relation to that natural person or that company, whether alone or together with any beneficiary of that trust:

- The consideration received by that company for the issue of the preference share shall be deemed to be a loan; and
- Any dividend or foreign dividend accrued in respect of that preference share shall be deemed to be interest in respect of the loan.

If a loan is granted to a trust or company free of interest or at a rate lower than the official interest rate, an amount equal to the difference between the official interest rate and the interest actually charged will be treated as a donation made to the trust or company by the natural person.

The interest forgone by the lender or holder of the loan is an ongoing and annual donation made to the trust or company on the last day of the trust or company's year of assessment.

If the deemed donation amount is denominated in a currency other than that of the Republic, it must be converted to South African Rands using the average exchange rate for the relevant year of assessment.

The annual R 100 000 donation tax exemption is available to the natural person making this donation, if it has not already been utilised for other donations. Any remaining taxable portion of this donation will be subject to donations tax of 20%, which must be paid by the end of the month following the end of the year of assessment of the trust or company to which the loan was granted.

If the loan is granted to a trust or company, by a company at the instance of more than one connected person, the donation is deemed to be made by the persons in the ratio of their equity shares or votes in the company granting the loan.

An amount that is vested irrevocably by a trustee in a trust beneficiary and that is used or administered for the benefit of the beneficiary without distributing or paying it to the beneficiary will not constitute a loan or credit granted by that beneficiary to that trust if:

- The vested amount may not, in terms of the trust deed be distributed

to the beneficiary, e.g. before beneficiary reaches a specific age; or
- That trustee has the sole discretion in terms of that trust deed regarding the timing of and the extent of any distribution to that beneficiary of such vested amount.

An amount vested by a trust in a trust beneficiary that is not distributed to that beneficiary will constitute a loan or credit granted by the beneficiary to the trust if that non-distribution results from an election exercised by the beneficiary, or a request by the beneficiary that the amount must not be distributed or paid over, e.g. if the beneficiary has reached the age at which a vested amount must be paid over or distributed to them and:
- The trustee honours a beneficiary's request that this not be done; or
- The beneficiary enters into an arrangement with the trustee in terms of which the amount may be retained in the trust.

Transfer of a loan
Where a person acquires a claim in respect of a loan to a trust or a company and the person is connected to the trust or the previous lender, the person will be treated as having granted a loan, advance or credit to the trust or company on the date on which the person acquired the claim, that is equal to the amount of the claim acquired.
If the person was not a connected person to the trust or the previous lender on the date that the person acquired the claim, they will be treated as having granted a loan, advance or credit to the trust or company on the date on which they became a connected person in relation to that trust or previous lender.

Denial of tax deduction or losses
No deduction, loss, allowance or capital loss may be claimed in respect of a disposal, reduction or waiver, or the failure, wholly or partly, of a claim for the payment of a loan that is subject to Section 7C.

Exclusions
- Where the trust or company is an approved Public Benefit Organisation or a small business funding entity;
- Loans to a trust by reason of, or in return for, a vested right held by the person granting the loan, in the receipts and accruals and assets of the trust (vested trusts);
- Loans to special trusts that are created solely for the benefit of persons with a "disability" as defined section 6B, which incapacitates such person from earning sufficient income for their maintenance or managing their own financial affairs;
- Where a loan was advanced to a trust or a company at the instance of a natural person and was used to fund the acquisition or improvement of a primary residence, and the natural person or its spouse used the residence as a primary residence for the entire period that the trust owed the residence during the year of assessment. From 1 January 2024 the primary residence and the land (including unconsolidated adjacent land) on which it is situated, may not exceed 2 hectares, and must together be used mainly for domestic or private purposes;
- Where the loan, advance or credit constitutes an affected transaction relating to transfer pricing;
- A loan provided to a trust or company in terms of a Sharia compliant financing arrangement;
- The loan, advance or credit is made by a South African resident company to a resident person (64E(4) deemed dividend).

Exemption for employee incentive schemes
There is a specific exclusion for employee incentive schemes, subject to certain requirements:

- The trust must be created solely for purposes of giving effect to an employee share incentive scheme in terms of which the loan, advance or credit was granted by a company to the trust for purposes of funding the acquisition of shares in the company or in any other company forming part of the same group of companies;
- Shares may only be offered by the trust to a full-time employee of a company or someone holding the office of director;
- Connected persons in relation to a company or any other company forming part of the same group of companies (i.e. a person that holds at least a 20% interest either individually or collectively with connected persons) may not participate in the scheme.

Scientific or technological research and development

Scientific or technological research and development" means systematic investigative or experimental activities intending to address scientific or technological uncertainties, and the resolution of which is not readily deducible by a person skilled in the relevant field. The purposes of such research and development include:

- Discovering new scientific or technological knowledge.
- Creating or developing new or significantly improved products, processes, or services.
- Creating or developing a multisource pharmaceutical product, adhering to specified guidelines and regulations.
- Conducting a clinical trial, as defined in the guidelines issued by the Department of Health.

The definition does not encompass the following activities:

- Routine testing, analysis, information collection, or quality control conducted as part of normal business operations;
- Market research, market testing, or sales promotion;
- Social science research, including the arts and humanities;
- Oil and gas or mineral exploration or prospecting, except for research and development aimed at developing technology used for such exploration or prospecting;
- The creation or development of financial instruments or financial products;
- The creation or enhancement of trademarks or goodwill;
- Any expenditure specified in section 11(gB) or (gC).

In determining the taxable income of a company, a deduction shall be allowed that is equal to 150% of the expenditure incurred by the taxpayer directly and solely for scientific or technological research and development in the Republic, provided that:

- The expenditure was incurred in the production of income.
- The expenditure was incurred in the course of carrying on any trade.
- The scientific or technological research and development was approved.

The expenditure must be incurred within six months before or on or after the date of receipt of the application by the Department of Science and Innovation for approval.

No deduction is permitted for expenditure related to:

- Immovable property, machinery, plant, implements, utensils, or articles, except for prototypes or pilot plants created exclusively

for the process of scientific or technological research and development. These prototypes or pilot plants should not be intended or used for production purposes after the completion of the research and development.
- Financing, administration, compliance, and similar costs are not eligible for deduction.

A taxpayer engaged in scientific or technological research and development, which has been approved, is required to submit an annual report to the committee. This report must include information on:
- The progress of the scientific or technological research and development;
- The extent to which specialized skills are needed for the research and development.

The report must be submitted within 12 months after the close of each year of assessment.

No deductions shall be allowed in respect of applications received after 31 December 2033.

TAX ADMINISTRATION MATTERS
Beneficial owners

Trust
Beneficial owner in respect of the provisions of a trust instrument, means:
- A natural person who directly or indirectly ultimately owns the relevant trust property;
- A natural person who exercises effective control of the administration of the trust arrangements that are established pursuant to a trust instrument;
- Each founder of the trust; or
  - If a founder of the trust is a legal person, a person acting on behalf of a partnership or in pursuance of the provisions of a trust instrument, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership or the relevant trust property or trust arrangements pursuant to that trust instrument;
- Each trustee of the trust; or
  - If a trustee of the trust is a legal person or a person acting on behalf of a partnership, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership; and
- Each beneficiary referred to by name in the trust instrument or other founding instrument in terms of which the trust is created; or
  - If a beneficiary referred to by name in the trust instrument is a legal person, a partnership or a person acting on behalf of a partnership or a person acting in pursuance of the provisions of a trust instrument, the natural person who directly or indirectly ultimately owns or exercises effective control of that legal person or partnership or the relevant trust property or trust arrangements pursuant to that trust instrument.

Company
A beneficial owner in respect of a company, means an individual who, directly or indirectly, ultimately owns that company or exercises effective control of that company, including through:

- The holding of beneficial interests in the securities of that company;
- The exercise of, or control of the exercise of the voting rights associated with securities of that company;
- The exercise of, or control of the exercise of the right to appoint or remove members of the board of directors of that company;
- The holding of beneficial interests in the securities, or the ability to exercise control, including through a chain of ownership or control, of a holding company of that company;
- The ability to exercise control, including through a chain of ownership or control, of:
  - A juristic person other than a holding company of that company;
  - A body of persons corporate or unincorporate;
  - A person acting on behalf of a partnership;
  - A person acting in pursuance of the provisions of a trust agreement; or
  - The ability to otherwise materially influence the management of that company.

Partnership
A beneficial owner of a partnership, means a natural person who, directly or indirectly, ultimately owns, or exercises effective control of, the partnership, and includes:
- Every partner, including every member of a partnership *en commandite*, an anonymous partnership or any similar partnership;
- If a partner in the partnership is a legal person or a natural person acting on behalf of a partnership or in pursuance of the provisions of a trust agreement, the beneficial owner of that legal person, partnership or trust; and
- The natural person who exercises executive control over the partnership.

Lodging a complaint with the Office of the Tax Ombud (OTO)
Before approaching the OTO, the taxpayer must have exhausted all SARS internal complaints resolution mechanisms.

Taxpayers may obtain complaint forms from www.taxombud.gov.za or request it via email or telephone from the OTO. An employee of the OTO will send the taxpayer an information pack that includes a complaint form and complaints guide and will take the taxpayer through the process of how to complete the form.
A representative of a taxpayer will receive a Power of Attorney form that needs to be completed in full by all parties. The Power of Attorney must be signed by the taxpayer, representative and witnesses.

The complaint form must detail the information about the complaint in chronological order (what happened and when). All supporting documents must be attached and the form signed before it is submitted. The POA together with copies of the identity documents of both the representative and taxpayer must also be submitted.

The completed complaint form and documents must be submitted to: complaints@taxombud.gov.za.

The OTO will send a letter of acknowledgment to the taxpayer. If the OTO does not terminate or reject the compliant, the outcome of the evaluation will be sent to the taxpayer within eight business days of acknowledgment of your complaint.

SARS has 15 business days to consider the OTO's recommendations and respond with a final report.

The OTO will provide feedback on the progress of the complaint every 15 business days until SARS has finalised the complaint.
The Tax Ombud's recommendations are not binding on a taxpayer or SARS, but if not accepted by a taxpayer or SARS, reasons for such decision must be provided to the Tax Ombud within 30 days of notification of the recommendations. This will ensure that the Tax Ombud is able to review the reasonableness of the reasons.

Tax compliance status
A taxpayer may apply in the prescribed form and manner to SARS for third party access to their tax compliance status. SARS must provide or decline access within 21 business days from the date the application is submitted, or a longer period as may be reasonably required to confirm the correctness thereof.

A taxpayer will only be compliant if the taxpayer:
- Is registered for tax;
- Does not have an outstanding tax debt of more than R 100 unless that payment is subject to an instalment payment arrangement, compromise, or has been suspended;
- Does not have an outstanding return unless an arrangement has been made for the submission of the return.

A tax compliance status must indicate the following:
- The date of the tax compliance status, as well as the status itself;
- The name and tax reference number of the taxpayer;

An indication that the taxpayer is a newly registered taxpayer, until the earlier of the date on which the taxpayer becomes liable to submit a return or pay tax, the date on which such return or tax has been submitted or paid, or the expiry of a period of one year from the date that the taxpayer first registered for any tax.

A senior SARS official may revoke access to a taxpayer's tax compliance status if:
- The access was provided in error, on the basis of fraud, misrepresentation or non-disclosure of material facts; or
- The correctness of the current tax compliance status is questioned due to suspicion of fraud, misrepresentation or non-disclosure of material facts.

SARS must give the taxpayer at least 10 business days to respond to these allegations before access is revoked.

Notification of an audit
The SARS official involved in or responsible for an audit must provide the taxpayer with a notice of the commencement of an audit and, thereafter, a report indicating the stage of completion of the audit.

Request for relevant material
SARS may require the taxpayer or another person to, within a reasonable period, submit relevant material (whether orally or in writing) to SARS.

A request by SARS for relevant material from a person other than the taxpayer is limited to material maintained or kept by the person in respect of the taxpayer.

A taxpayer receiving a request from SARS for relevant material must submit the relevant material to SARS at the place, in the format (which must be reasonably accessible to the taxpayer) and:

- Within the time specified in the request; or
- If the material is held by a connected person located outside South Africa, within 90 days from the date of the request, which request must set out the consequences of failing to do so.

If reasonable grounds for an extension are submitted by the taxpayer or other person, SARS may extend the period within which the relevant material must be submitted.

If a taxpayer fails to provide the material that is held by a connected person located outside South Africa, they may not produce it in any subsequent proceedings, unless a competent court directs otherwise on the basis of circumstances outside the control of the taxpayer and the connected person.

Persons who may be interviewed by SARS

A senior SARS official may require a taxpayer, or any of the taxpayer's employees or directors to attend an interview with SARS, concerning the tax affairs of the taxpayer, provided that it is not for the purpose of a criminal investigation.

Assistance during field audit or criminal investigation

The person on whose premises an audit or criminal investigation is carried out and any other person on the premises, must provide such reasonable assistance as is required by SARS to conduct the audit or investigation, including:

- Making appropriate facilities available to the extent that such facilities are available;
- Answering questions relating to the audit or investigation; and
- Submitting relevant material as required.

No person may without just cause obstruct a SARS official from carrying out the audit or investigation or refuse to give the access or assistance.

The person may recover from SARS, after completion of the audit or criminal investigation (or, at the person's request, on a monthly basis), the cost for the use of photocopying facilities in accordance with the fees prescribed in the Promotion of Access to Information Act.

Issuance of assessments

An additional or reduced assessment may not be made after:

- Three years from the date of an original assessment issued by SARS;
- Five years in the case of self-assessment for which a return is required;
- Five years from the date of the payment if no return is required.
- The above does not apply to the extent that:
    - In the case of an assessment by SARS, the fact that the full amount of tax chargeable was not assessed, was due to fraud, misrepresentation or non-disclosure of material facts;
    - In the case of self-assessment, the fact that the full amount of tax chargeable was not assessed, was due to fraud, intentional or negligent misrepresentation or non- disclosure of material facts or the failure to submit a return; or
    - If no return is required, the failure to pay the required of tax.

SARS will only be allowed in exceptional circumstances, i.e. fraud, misrepresentation and non-disclosure to reopen the tax period, audit and issue an additional assessment after prescription.

Estimated assessments
SARS may make an original, additional, reduced or jeopardy assessment based in whole or in part on an estimate, if the taxpayer does not submit a return, submits a return or relevant material that is incorrect or inadequate, or does not submit a response to a request for relevant material after delivery of more than one request for such material.

The estimated return will be based on information readily available to SARS. If a taxpayer cannot submit an accurate return SARS and the taxpayer can agree on an estimated assessment, which will not be subject to objection and appeal.

Where a taxpayer receives an assessment based on an estimate the taxpayer may request a reduced or additional assessment by submitting a true and full return or the relevant material, within 40 business days from the date of the assessment, or a longer period as the Commissioner may prescribe by public notice.

This period may be extended by a senior SARS official if the taxpayer submits reasonable grounds for the extension. This extension cannot exceed the relevant prescription period or 40 business days, whichever ends last.

If the taxpayer does not submit a true and full return or the relevant material within the 40 business days, and an assessment based on an estimate has been issued, the taxpayer cannot object against the assessment and it becomes final.

Auto-assessments
SARS uses data from employers and other third-party data providers to issue simulated assessments to non-provisional individual taxpayers. Taxpayers who are in agreement with their auto-assessments, are no longer required to accept the assessment – no action from the taxpayer is necessary. By the due date, these taxpayers will receive an original assessment based on the estimate used in the simulation. This assessment is not subject to objection and appeal.

A taxpayer who is not in agreement with their assessment may file a complete and accurate tax return within 40 business days of the date that the assessment was issued. Taxpayers who are unable to file their returns within this period, may request an extension before the expiry of this period, or within 21 business days after the expiry of this period, which request must be supported by reasonable grounds.

Reduced assessments
SARS may reduce an assessment if:
- The taxpayer successfully disputed the assessment;
- Necessary to give effect to a settlement;
- Necessary to give effect to a judgment pursuant to an appeal and there is no right of further appeal;
- SARS is satisfied that there is a *readily apparent undisputed error in the assessment;
- A senior SARS official is satisfied that an assessment was based on:
  - The failure to submit a return or submission of an incorrect return by a third party or by an employer;

- A processing error by SARS; or
- A return fraudulently submitted by a person not authorised by the taxpayer.

- The taxpayer requests SARS to issue a reduced assessment after submitting a true and full return or the relevant material.

SARS may reduce an assessment despite the fact that no objection has been lodged or appeal noted.

*The error must be clearly visible, must be identified without hesitation or difficulty, and such error must be either in the return or the assessment. At the first glance of the request, SARS must be able to easily determine that there is an undisputed error. The presence of any doubt will disqualify the taxpayer's request for a reduced assessment. If SARS cannot make this determination from merely looking at the return or assessment, the error cannot be said to be readily apparent.

Objection against an assessment or decision
If a taxpayer is aggrieved by an assessment or a decision made by a SARS official, an objection may be lodged.

Prior to lodging an objection, the taxpayer may request written reasons for the assessment within 30 business days after the date of the assessment. SARS has 30 business days to notify the person if sufficient reasons have already been provided. If reasons were not provided, SARS has 45 business days to provide them.

The taxpayer has 30 business days from the later of the day of assessment or the date that written reasons are provided, to object. Condonation for a late objection not based on exceptional circumstances may be extended by a senior SARS official for a period up to 30 business days, and if there are exceptional circumstances this period may be further extended by SARS. The maximum period within which a late objection may be extended remains 3 years.

Business days exclude the days from 16 December to 15 January.

Payment of tax
A taxpayer must settle a tax liability in a single amount. If this is not possible due to financial hardship or distress an instalment payment arrangement may be requested from a senior SARS official.

Requests for a deferred payment arrangement may be made via eFiling.

The payment arrangement request functionality on eFiling is available to individuals, tax practitioners, and organisation portfolio types and is limited to personal income tax, company tax, dividends tax, VAT, PAYE, UIF, SDL and administrative penalties.

A request for multiple tax types cannot be accounted for in a single payment arrangement request.

Certain supporting documents may be requested:
- Company, Close Corporation, Trust, Sole Proprietor, Partnership:
  - Copies of bank statements for the past three months;
  - Cash flow statement for the next 12 months;
  - Financial statements for the last 3 years;
  - Management accounts: last financial statements up to date;
  - Detailed asset register including disposals for the last 3 years;
  - Detailed list of debtor and creditor's analysis.

- Individual (salary income):
  - Copies of bank statements for the past six months;
  - Copy of most recent payslips;
  - Proof of outstanding accounts.

Please note: The taxpayer will not be able to cancel a payment arrangement request once it has been submitted.

Liability of third parties

A senior SARS official may authorise the issue of a notice to a person who holds or owes or will hold or owe any money, including a pension, salary, wage or other remuneration, for or to a taxpayer, requiring the person to pay the money to SARS in satisfaction of the taxpayer's outstanding tax debt.

SARS may only issue the notice after delivery to the taxpayer of a final demand for payment which must be delivered at the latest 10 business days before the issue of the notice, which demand must set out the recovery steps that SARS may take if the tax debt is not paid and the available debt relief mechanisms.

A person that is unable to comply with a requirement of the notice, must advise the senior SARS official of the reasons for the inability to comply within the period specified in the notice and the official may withdraw or amend the notice as is appropriate under the circumstances.

A person receiving the notice must pay the money in accordance with the notice and, if the person parts with the money contrary to the notice, they will be personally liable for it.

SARS may, on request by a person affected by the notice, amend the notice to extend the period over which the amount must be paid to SARS, to allow the taxpayer to pay the basic living expenses of the taxpayer and their dependants.

If the tax debtor is a natural person the taxpayer may, within 5 business days of receiving the demand, apply to SARS for a reduction of the amount to be paid to SARS based on the basic living expenses of the taxpayer and their dependants.

If the taxpayer is not a natural person, they may, within 5 business days of receiving the demand, apply to SARS for a reduction of the amount to be paid to SARS based on serious financial hardship.

SARS need not issue a final demand if a senior SARS official is satisfied that to do so would prejudice the collection of the tax debt.

Refunds and interest

SARS must pay a refund if a person is entitled to a refund, including interest thereon of:

- An amount properly refundable as reflected in an assessment; or
- The amount erroneously paid in excess of the amount payable in terms of the assessment.

SARS has 30 days after the date that the payment was made to determine the erroneous nature of the payment, before interest on such payment need to be paid to the taxpayer.

SARS need not authorise a refund until such time that a verification, inspection, audit or criminal investigation is completed unless the taxpayer can give security that is acceptable to SARS.

A decision not to authorise a refund of an amount erroneously paid is subject to objection and appeal.

Delivery of documents
If a tax Act requires or authorises SARS to issue, give, send, or serve a notice, document or other communication to a person (other than a company), SARS is regarded as having issued, given, sent or served it to the person if it was:
- Handed to the person;
- Left with another person over 16 years of age apparently residing or employed at the person's last known residence, office or place of business;
- Sent to them by post to their last known address, including:
  - A residence, office or place of business;
  - The person's last known post office box number or that of the person's employer; or
- Sent to their last known electronic address, which includes:
  - The person's last known e-mail address;
  - The person's last known telefax number; or
  - The person's electronic address page e.g. e-filing.

Deregistration of non-compliant tax practitioners
All tax practitioners must be registered with a recognised controlling body and SARS, if they provide tax advice or complete or assist in completing tax returns.

SARS may refuse to register a tax practitioner, or may deregister a tax practitioner if any of the following apply during the preceding 5 years:
- The practitioner has been removed from a profession by a controlling body for serious misconduct;
- The practitioner has been convicted (whether in South Africa or elsewhere) of theft, fraud, forgery or uttering a forged document, perjury or an offence under the Prevention and Combating of Corrupt Activities Act, or any offence involving dishonesty, for which the practitioner has been sentenced to a period of imprisonment exceeding two years without the option of a fine or to a fine exceeding the amount prescribed in the Adjustment of Fines Act;
- The practitioner has been convicted of a serious tax offence;

SARS may further refuse to register or deregister a tax practitioner that was not tax compliant during the preceding 12 months for an aggregate period of at least 6 months and has failed to remedy the non-compliance within the period specified by SARS in a notice.

A tax practitioner deregistered due to a serious offense may only register as a tax practitioner again after a period of 5 years. A tax practitioner deregistered due to non-compliance with the tax Act can only register as a tax practitioner again after six months from the date when they become fully compliant.

Illegal use of the SARS trademark
It is unlawful to use the SARS' name, trademark or the SARS triangle, and logo on personal correspondence including e-mail signatures.

SARS will report such unlawful use of their trademark to Recognised Controlling Bodies (RCBs) in future.

The unlawful use of the SARS trademark could lead to a fine, or imprisonment not exceeding 10 years, or both.

PENALTIES AND INTEREST

Administrative non-compliance penalties

SARS has the power to impose administrative penalties in respect of non-compliance with any procedural or administrative action or duty imposed or requested in terms of the Income Tax Act.

A fixed amount penalty will be levied when a natural person or a company fails to submit one or more outstanding income tax returns as and when required in terms of a Tax Act. This will also apply to dormant companies with no receipts or assets.

SARS must issue a final demand which will grant a company 21 business days from the date of the final demand to submit the outstanding returns before the penalties will be imposed.

A penalty assessment must be issued for administrative non-compliance penalties.

The assessment must give the taxpayer notice of:
- The non-compliance that resulted in the penalty and its duration;
- The amount of the penalty imposed;
- The date by when the penalty becomes payable;
- The fact that the penalty will automatically increase per month;
- Summary of the process for requesting remittance of the penalty.

Fixed amount table

Item	Assessed loss or taxable income for preceding year of assessment (R)			Monthly Penalty (R)
(i)			Assessed loss	250
(ii)	0	-	250 000	250
(iii)	250 001	-	500 000	500
(iv)	500 001	-	1 000 000	1 000
(v)	1 000 001	-	5 000 000	2 000
(vi)	5 000 001	-	10 000 000	4 000
(vii)	10 000 001	-	50 000 000	8 000
(viii)	50 000 001		and above	16 000

The amount of the penalty is based on the taxpayer's taxable income, or assessed loss, for the preceding year of assessment. Certain listed or large companies or large exempt institutions fall under item vii of the table.

The fixed amount penalty increases monthly calculated from one month after the penalty assessment is issued, subject to a maximum of either 35 months or 47 months, depending on whether or not SARS has the taxpayer's current address.

The non-compliance penalty does not apply where the percentage-based, reportable arrangement or the understatement penalty applies.

Percentage-based penalty

The percentage-based penalty is imposed where SARS is satisfied that the taxpayer has not paid the tax as and when required under a Tax Act.

The penalty is equal to a percentage of tax not paid.

The amount of penalty can vary between 10% and 20%.

Penalties are levied in terms of a penalty assessment. This assessment will set out the amount and date by which the penalty must be paid.

Remittance of penalties
A person can request that a penalty be remitted. This request must contain the grounds and supporting documents.

Fixed amount penalty
Remitted up to R 2 000 in case of a first incidence of non-compliance (no penalty assessment during the preceding 36 months), or the duration of non- compliance is less than 5 business days and reasonable grounds exist for the non-compliance, and the non-compliance has been remedied.

Percentage-based penalty
Remitted in case of a first incidence of non-compliance (no penalty assessment during the preceding 36 months), or if the amount is less than R 2 000, and reasonable grounds exist for the non-compliance, and the non-compliance has been remedied.

Exceptional circumstances
Remitted in whole or in part, if one or more of the following circumstances rendered the person incapable of complying:
- A natural or human-made disaster;
- A civil disturbance or disruption in services;
- A serious illness or accident;
- Serious emotional or mental distress;
- Certain SARS errors e.g. capturing errors or processing delay;
- Serious financial hardship;
- Any other circumstances of analogous seriousness.

SARS may also remit a penalty or a portion thereof if a Tax Act other than the Tax Administration Act provides for remittance grounds for a penalty.

A decision by SARS not to remit a penalty in whole or in part is subject to objection and appeal.

Understatement penalties
An "understatement" is a failure to submit a return, an omission from a return, an incorrect statement in a return, or if no return is required the failure to pay the correct amount of tax, or an impermissible avoidance arrangement that causes prejudice to SARS or the fiscus.

No understatement penalty is payable if the understatement results from a *bona fide* inadvertent error. The onus is on the taxpayer to show that a *bona fide* inadvertent error was made.

If more than one behaviour applies, the understatement penalty is determined by applying the highest applicable percentage based on the table below to the shortfall in relation to each understatement.

Understatement Penalty Percentage Table

1 Standard case
2 If obstructive or if it is a 'repeat case'
3 Voluntary disclosure after notification of audit or criminal investigation
4 Voluntary disclosure before notification of audit or criminal investigation

Behaviour category	1	2	3	4
Substantial understatement	10%	20%	5%	0%
Return not completed with reasonable care	25%	50%	15%	0%
No reasonable grounds for tax position taken	50%	75%	25%	0%
Impermissible avoidance arrangement	75%	100%	35%	0%
Gross negligence	100%	125%	50%	5%
Intentional tax evasion	150%	200%	75%	10%

The shortfall is the sum of:

- The difference between the amount of tax properly chargeable for the tax period, and the amount of tax that would have been chargeable for the tax period if the understatement were accepted;
- The difference between the amount properly refundable for the tax period and the amount that would have been refundable if the understatement were accepted; and
- The difference between the amount of an assessed loss or any other benefit to the taxpayer properly carried forward from the tax period to a succeeding tax period and the amount that would have been carried forward if the understatement were accepted.

The tax rate applicable to the shortfall determined is the maximum tax rate applicable to the taxpayer, ignoring an assessed loss or any other benefit brought forward from a preceding tax period.

A "substantial understatement" is a case where the prejudice to the fiscus exceeds the greater of R 1 million or 5% of the amount of tax properly chargeable or refundable for the relevant period.

A repeat case is one which occurs within 5 years of the previous case.
If the understatement is a failure to submit a return, the tax that resulted from the understatement must be regarded as Nil for the purposes of calculating the shortfall and the understatement penalty.

A decision by SARS not to remit an understatement penalty is subject to objection and appeal.

Remittance of interest

If a senior SARS official is satisfied that interest is payable as a result of circumstances beyond the taxpayer's control, the official may, unless prohibited by a Tax Act, remit so much of the interest as is attributable to the circumstances.

The circumstances referred to above are limited to:

- A natural or human-made disaster;
- A civil disturbance or disruption in services; or
- A serious illness or accident.

SARS may not remit interest after the expiry of 3 years, in the case of an assessment by SARS, or 5 years, in the case of a self-assessment, from the date of assessment of the tax on which the interest accrued.

CRIMINAL OFFENCES

If a person is convicted of a criminal offence as listed below, they may be subject to a fine or imprisonment for up to 2 years.

Any person who wilfully:
- Submits a false certificate or statement;
- Issues an erroneous, incomplete or false document to SARS or another person;
- Fails to reply to or answer truly and fully any question asked by a SARS official;
- Fails to take an oath or make a solemn declaration;
- Obstructs or hinders SARS officials to discharge their duties;
- Refuses to give assistance during an audit or investigation;
- Holds themself out as a SARS official;
- Dissipates assets in order to impede the collection of any taxes, penalties or interest.

Any person who wilfully or negligently fails to:
- Register or notify SARS of a change in registered particulars;
- Appoint a representative taxpayer or notify SARS of the appointment or change of a representative taxpayer;
- Register as a tax practitioner;
- Submit a return or document to SARS or issue a document to a person as required under a tax Act;
- Retain records as required;
- Furnish or make available any information or document (excluding information requested for the purpose of revenue estimation);
- Attend and give evidence, as and when required;
- Comply with a directive or instruction issued by SARS;
- Disclose to SARS any material facts which should have been disclosed, or to notify SARS of anything for which notice is required;
- Comply with the provisions applicable to third parties when given notice to transfer assets or pay amounts to SARS;
- Deduct and pay any withholding tax as required to SARS.

TAX EVASION, FRAUD OR THEFT

A person who intentionally evades tax or assists another person to evade tax or to obtain an undue refund under a tax Act, and:
- Makes or causes or allows to be made any false statement or entry in a return or other document, or signs a statement, return or other document so submitted without reasonable grounds for believing it to be true;
- Gives a false answer, whether orally or in writing, to a request for information;
- Prepares, maintains or authorises the preparation or maintenance of false books of account or other records or falsifies or authorises the falsification of books of account or other records;
- Makes use of, or authorises the use of, fraud or contrivance; or
- Makes any false statement for the purposes of obtaining any refund of or exemption from tax;

is guilty of an offence and, upon conviction, is subject to a fine or to imprisonment for a period not exceeding 5 years.

Any person who makes a statement referred to above may, unless the person proves that there is a reasonable possibility that they were ignorant of the falsity of the statement and that the ignorance was not due to negligence on their part, be regarded as being aware of the falsity of the statement.

VOLUNTARY DISCLOSURE PROGRAMME (VDP)
A person who committed a default may apply for VDP relief.

"Default" means the submission of inaccurate or incomplete information to SARS, or the failure to submit information or the adoption of a 'tax position' that resulted in an understatement.

A person may apply for VDP relief, unless the person is aware of a pending audit or investigation into their tax affairs, or an audit or investigation has commenced, but has not yet been concluded. If the default does not relate to what is being audited the taxpayer may apply for VDP relief for that default.

In the case of an audit or investigation that has commenced, a senior SARS official may permit the voluntary disclosure if they are of the view that the default would not otherwise have been detected during the audit, and the application would be in the interest of good management of the tax system, and the best use of SARS's resources.
The disclosure must be voluntary, involve a default that resulted in an understatement, which has not occurred within 5 years of the disclosure of a similar default, be full and complete in all material respects, involve a behaviour referred to in the understatement penalty percentage table, must not result in a refund by SARS, and must be made in the prescribed form and manner.

A senior SARS official may issue a non-binding private opinion as to a person's eligibility for relief. The identity of the party to the default need not be disclosed to SARS in such a case.

If the voluntary disclosure application is accepted, SARS must enter into a voluntary disclosure agreement with the taxpayer. The assessment or determination issued to give effect to the agreement is not subject to objection and appeal.

Relief granted
- No criminal prosecution;
- No understatement penalty (per understatement penalty table);
- 100% relief for the administrative non-compliance penalty;

Relief is not provided for any tax debt, interest, or any penalty imposed for the late submission of a return.

RETENTION OF RECORDS

Document	Retention period
Companies	
Any documents, accounts, books, writing, records or other information required to be kept in terms of the Companies Act	7 years
Registration certificate	Indefinite
Memorandum of Incorporation and alterations or amendments	Indefinite
Rules	Indefinite
Securities register and uncertificated securities register	Indefinite
Register of company secretary and auditors	Indefinite
Regulated companies - Register of disclosures of person who holds beneficial interest equal to or in excess of 5% of the securities of that class issued	Indefinite
Notice and minutes of all shareholders/directors/audit committee and other committee meetings including resolutions adopted and documents made available to holders of securities	7 years
Copies of reports presented at the annual general meeting	7 years
Copies of annual financial statements	7 years

Copies of accounting records	7 years
Records of directors and past directors, after the director has retired from the company	7 years
Written communication to holders of securities	7 years
Minutes and resolutions of directors' meetings, audit committee and directors' committees	7 years
Securities register and uncertificated securities register	Indefinite
Close Corporations	
Accounting records, including supporting documents	15 years
Founding statement/amended founding statement	Indefinite
Annual financial statements, including annual accounts and the report of the accounting officer	15 years
Minute books and resolutions	Indefinite

Tax records

A person who has submitted a return for a tax period	For a period of 5 years from the date of submission of the return, unless subject to an audit, appeal, investigation, or objection.
A person who is required to submit a return for the tax period and has not submitted a return	Indefinite, until a return is submitted, then the above period applies.
A person who is not required to submit a return but has, during the tax period, received income, has a capital gain or loss or engaged in any other activity that is subject to tax, or would be subject to tax, but for the application of a threshold or exemption	For a period of 5 years from the end of the relevant tax period.
A person who has been notified or is aware that the records are subject to an audit or investigation, or a person who has lodged an objection or appeal against an assessment or decision	Until the audit is concluded, or the assessment or decision becomes final, or the applicable period above, whichever is the latest.

IRP5 CODES

Normal Income Tax Codes

(Codes in brackets refer to foreign income)

Code	Description	Type of Tax
3601 (3651)	Income for services rendered	Subject to PAYE
3602 (3652)	Non-taxable income for services rendered	Non-taxable
3603 (3653)	Pension	Subject to PAYE
3605 (3655)	Annual payment	Subject to PAYE
3606 (3656)	Commission	Subject to PAYE
3607 (3657)	Overtime	Subject to PAYE
3608 (3658)	Arbitration award	Subject to PAYE
3610 (3660)	Annuity from Retirement Annuity Fund	Subject to PAYE
3611 (3661)	Purchased annuity	Subject to PAYE
3613 (3663)	Restraint of trade	Subject to PAYE
3614 (3664)	Other retirement lump sums	Subject to PAYE
3616 (3666)	Independent contractor - remuneration	Subject to PAYE
3617 (3667)	Labour brokers without exemption certificate	Subject to PAYE
3618 (3668)	Annuity from provident/provident preservation fund	Subject to PAYE
3619 (3669)	Labour brokers with exemption certificate	IT
3620 (3670)	Directors' fees: resident NED	IT
3621	Directors' fees: non-resident NED	Subject to PAYE
3622 (3672)	Qualifying long service cash award	Subject to PAYE*

*If the sum of this value and the value of code 3835 exceeds R 5 000

Allowance Codes

Code	Description	Type of tax
3701 (3751)	Travel allowance	Subject to PAYE
3702 (3752)	Reimbursive travel allowance	IT
3703 (3753)	Reimbursive travel allowance	Non-taxable
3704 (3754)	Subsistence allowance – local travel	IT

3707 (3757)	Share options exercised	Subject to PAYE
3708 (3758)	Public office allowance	Subject to PAYE
3713 (3763)	Other allowances (entertainment, tools, computer, cellphone)	Subject to PAYE
3714 (3764)	Uniform, relocation, subsistence allowance local and foreign	Non-taxable
3715 (3765)	Subsistence allowance – foreign travel	IT
3717 (3767)	Broad-based employee share plan	Subject to PAYE
3718 (3768)	Vesting of equity instruments or return of capital i.r.o. restricted equity instruments	Subject to PAYE
3719 (3769)	Dividends not exempt para (dd) of the proviso to s10(1)(k)(i)	Subject to PAYE
3720 (3770)	Dividends not exempt para (ii) of the proviso to s10(1)(k)(i)	Subject to PAYE
3721 (3771)	Dividends not exempt para (jj) of the proviso to s10(1)(k)(i)	Subject to PAYE
3722 (3772)	Reimbursive travel allowance above prescribed rates	Subject to PAYE
3723 (3773)	Dividends not exempt para (kk) of the proviso to s10(1)(k)(i)	Subject to PAYE

Fringe Benefit Codes

Code	Description	Type of tax
3801 (3851)	General fringe benefits	Subject to PAYE
3802 (3852)	Use of motor vehicle (not operating lease)	Subject to PAYE
3805 (3855)	Free or cheap accommodation or holiday accommodation	Subject to PAYE
3806 (3856)	Free or cheap services excluding a long service award	Subject to PAYE
3808 (3858)	Payment of employee's debt	Subject to PAYE
3809 (3859)	Taxable bursaries or scholarships: basic education – not disabled	Subject to PAYE
3810 (3860)	Medical aid contributions paid on behalf of employee	Subject to PAYE
3813 (3863)	Medical services costs paid by the employer	Subject to PAYE
3815 (3865)	Non-taxable bursaries and scholarships – basic education – not disabled	Non-taxable
3816 (3866)	Use of motor vehicle acquired by employer via operating lease	Subject to PAYE
3817 (3867)	Employers pension fund contribution	Subject to PAYE
3820 (3870)	Taxable bursaries or scholarships - further education – not disabled	Subject to PAYE
3821 (3871)	Non-taxable bursaries or scholarships - further education – not disabled	Non-taxable
3822 (3872)	Non-taxable fringe benefit on acquisition of fixed property	Non-taxable
3825 (3875)	Employer provident fund contributions	Subject to PAYE
3828 (3878)	Employees debt: employer paid retirement annuity fund contributions	Subject to PAYE
3829 (3879)	Taxable bursaries to a disabled person – basic education	Subject to PAYE
3830 (3880)	Non-taxable bursaries to a disabled person – basic education	Non-taxable
3831 (3881)	Taxable bursaries to a disabled person – further education	Subject to PAYE
3832 (3882)	Non-taxable bursaries to a disabled person – further education	Non-taxable
3833 (3883)	Bargaining council employer contributions	Subject to PAYE
3834 (3884)	Loan to purchase immovable residential property	Non-taxable
3835 (3885)	Qualifying long service award (non-cash)	Subject to PAYE*

*If the sum of this value and the value of code 3622 exceeds R 5 000

Lump sum codes

Code	Description	Type of tax
3901 (3951)	Gratuities/Severance benefits	Subject to PAYE
3906 (3956)	Special Remuneration paid to proto-team members	Subject to PAYE
3907 (3957)	Other lump sums	Subject to PAYE
3908	Surplus apportionments and exempt policy proceeds	Non- taxable
3915	Retirement/termination of employment lump sum benefits/commutation of annuities	Subject to PAYE
3920	Lump sum withdrawal benefits	Subject to PAYE
3921	Living annuity and section 15C of the Pension Funds Act and surplus apportionments	Subject to PAYE
3922	Compensation i.r.o. death during employment	Non- taxable
3923	Transfer of unclaimed benefits	Non- taxable
3924	Transfer on retirement	Subject to PAYE

Deduction Codes

Code	Description
4001	Pension fund contributions paid or deemed paid by employee
4003	Provident fund contributions paid or deemed paid by employee
4005	Medical scheme fees (contributions) paid or deemed paid by employee
4006	Retirement annuity fund contributions paid or deemed paid by employee
4024	Medical services costs deemed to be paid by the employee in respect of themself,

spouse or child

4030 Donations deducted from the employee's remuneration and paid by the employer to the organisation (Including Covid-19 Disaster relief fund but excluding donations to the Solidarity Fund)

4472 Employer's pension fund contributions paid for the benefit of the employee

4473 Employer's provident fund contributions paid for the benefit of the employee

4474 Employer's medical scheme fees (contributions) paid for the benefit of employees (employee 65 years and older and who has not retired from that employer, should also be reflected under this code)

4475 Employer's retirement annuity fund contributions paid for the benefit of the employee

4493 Employer's medical scheme fees (contributions) paid for the benefit of retired employees who qualifies for the "no value" provisions

4582 Value of "remuneration" included in allowances and benefits (travel related)

4583 The portion (80% or 20%) of travel allowances and benefits which is subject to PAYE

4584 Employers bargaining council contributions

4585 Employers pension fund contributions paid for the benefit of the employee or former employee and qualifies for the "no value" provisions

4586 Employers provident fund contributions paid for the benefit of the employee or former employee and qualifies for the "no value" provisions

4587 Foreign services remuneration exemption

Employees' Tax Deduction and Reason Codes

Code	Description
4102	PAYE
4115	Tax on retirement lump sum and severance benefits
4116	Medical schemes fees tax credit
4118	Sum of ETI amounts
4120	Additional medical expenses tax credit (65 years and older)
4141	UIF employee and employer contribution
4142	SDL contribution

This guide is prepared by ProBeta Training (Pty) Ltd. from the 2023/2024 promulgated Tax Acts and the 2024/2025 tax proposals as presented during the budget speech. Whilst every care has been taken in compiling this guide, readers are cautioned to use it as a guideline only and no liability is accepted for the consequences of any inaccuracies. Figures in brackets refer to the previous tax year.

NOTES



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