

26 February 2021

## *BUDGET SPEECH 2020/21 TAX YEAR*

### 1. INDIVIDUALS

The maximum marginal rate for natural persons remains at 45% and is reached when taxable income exceeds R1 577 300 (previously R1,5 million).

The minimum rate of tax remains at 18% on taxable income not exceeding R205 900 (previously R195 850).

The primary rebate for all natural persons has been increased to R14 958 (previously R14 220). The additional rebate for persons aged 65 years and older is increased to R8,199 (previously R7 794). Persons aged 75 and older are granted a further R2 736 (previously R2 601).

The tax free portion of interest income remains at R23 800 for taxpayers under 65 years, and R34 500 for persons aged 65 years and older. In addition the tax-free savings dispensation for other investments, including collective investment schemes, became operative 1 March 2015 and increases to R36 000 per tax year (previously R33 000).

Local dividends tax remains at a flat 20% rate which was effective 22 February 2017.

Foreign dividends also remain effectively taxed at a flat rate of 20%, but this may be reduced in terms of Double Tax Treaties.

An individual is exempt from the payment of provisional tax if the individual does not carry on any business and the individual's taxable income –

- Will not exceed the tax threshold (see 4 below) for the tax year, or
- From interest, foreign dividends and rental will be R30 000 or less for the tax year.

The Section 10(1)(o)(ii) exemption for foreign employment income of tax residents effective 1 March 2020 was proposed to be limited to R1 million. This will be increased to R1,25 million effective 1 March 2020, according to chapter 4 of the Budget Review.

UNIVERSAL LIFE BROKERS & CONSULTANTS CC  
Vat Reg No 4510148440 • Company Reg No CK1989/012575/23 • FSP Reg No 5377  
Managing Member: F. Cline  
SYNERGY MULTI MANAGERS (PTY) LTD  
Company Reg No 2014/228331/07 • FSP Reg No 46159

Member of:



Authorised Financial Service Provider

## 2. COMPANIES AND CLOSE CORPORATIONS

The rate of normal tax remains at 28%.

The final withholding dividend tax remains at a flat rate of 20%.

Tax Exempt bodies (e.g. Retirement Funds) will suffer no withholding tax upon production of a tax exemption certificate.

## 3. TRUSTS

The flat rate remains at 45%, although distributions in the same tax year are taxed instead in the beneficiaries hands.

## 4. INDIVIDUAL TAX THRESHOLDS

Liability for tax is as follows:

Under 65 years:	R 83 100	(previously R 79 000)
65 to 74 years :	R128 650	(previously R122 300)
75 years and older:	R143 850	(previously R136 750)

### INCOME TAX: INDIVIDUALS AND SPECIAL TRUSTS (The table remains as before)

Taxable income (R)	Rates of tax
0 – 205 900	18% of taxable income
205 901 – 321 600	R 37 062 + 26% of taxable income above R 205 900
321 601 – 445 100	R 67 144 + 31% of taxable income above R 321 600
445 101 – 584 200	R105 429 + 36% of taxable income above R 445 100
584 201 – 744 800	R155 505 + 39% of taxable income above R 584 200
744 801 – 1 577 300	R218 139 + 41% of taxable income above R 744 800
1 577 301 and above	R559 464 + 45% of taxable income above R1 577 300

### TRUSTS OTHER THAN SPECIAL TRUSTS – RATE OF TAX – 45%

#### TAX REBATES:

PRIMARY	R14 958	(previously R14 220)
SECONDARY (AGE 65 AND OVER)	R 8 199	(previously R 7 794)
PLUS AGE 75 AND OVER	R 2 736	(previously R 2 601)

## 5. ESTATE DUTY AND DONATIONS TAX

The rate of estate duty and donations tax remains at 20% for dutiable estate amounts of R30 million or less and increases to 25% for dutiable estate amounts over R30 million.

The estate duty abatement (exempt threshold) remains at R3,5 million per person and a surviving spouse may also benefit automatically from any unused deduction in the first dying spouse's estate. i.e. The abatement remains a combined maximum R7 million for the second dying spouse.

There is a similar treatment of Donations Tax namely 20% for donations of R30 million or less, and increases to 25% for donations over R30 million.

The first R100 000 of amounts donated in each tax year by a natural person remains exempt from donations tax. Donations between spouses are fully exempt.

## 6. CAPITAL GAINS TAX (CGT)

- The annual capital gain exclusion for individuals remains at R40 000.
- The primary residence exclusion from capital gains tax remains at R2 million.
- The capital gain exclusion at death remains at R300 000.
- The effective rate of CGT is the range of 7.2% to 18% for individuals, 22,4% for companies and 36% for Trusts, although correctly structured Trusts can result in the individual rate being applicable.

## 7. TRANSFER DUTY

The rates remain, i.e. property costing less than R1 000 000 will attract no duty. A 3 percent rate applies between R1 000 000 and R1,375 million, 6 per cent between R1,375 million and R1,925 million, 8 percent between R1,925 million and R2,475 million, 11 percent between R2,475 million and R11 million and 13 percent thereafter.

## 8. RETIREMENT FUNDS (The tables remain as before)

**Retirement Fund Lump Sum Withdrawal Benefits**

<b>Taxable Income</b>	<b>Rates of Tax</b>
0 – 25 000	0% of taxable income
25 001 – 660 000	18% of taxable income above 25 000
660 001 – 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

**Retirement Fund Lump Sum Retirement Benefits or Severance benefits**

<b>Taxable Income</b>	<b>Rates of Tax</b>
0 – 500 000	0% of taxable income
500 001 – 700 000	18% of taxable income above 500 000
700 001 – 1 050 000	36 000 + 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

- Tax Harmonisation of Retirement Fund Contributions

As from 1 March 2016 all retirement funds (pension, provident and retirement annuity funds) are treated similarly for tax contribution purposes.

The tax deduction formula of 27,5% per annum (with a cap of R350 000) of the greater of taxable income and remuneration applies to members of all retirement funds, including provident funds.

- Annuitisation

Pension and Retirement Annuity (RA) Funds will still require a compulsory annuity purchase upon retirement with two-thirds of such fund benefits whereas Provident Fund benefits may be commuted in full, until 1 March 2021 when annuitisation also applies. The threshold below which a full fund benefit from a Pension or RA is allowed to be commuted is R247 500.

## **9. MEDICAL EXPENSES**

- Taxpayers may in determining tax payable deduct monthly contributions to medical schemes (a tax rebate to be known as a medical scheme fees tax credit) up to R319 for each of the taxpayer and the first dependant on the medical scheme and R215 for each additional dependant.
- An individual who is 65 and older, or if that person, his or her spouse or child is a person with a disability, 33.3% of qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 3 times the medical scheme fees tax credits for the tax year.
- Any other individual, 25% of an amount equal to qualifying medical expenses paid and borne by the individual and an amount by which medical scheme contributions paid by the individual exceed 4 times the medical scheme fees tax credits for the tax year, limited to the amount which exceeds 7.5% of taxable income (excluding retirement fund lump sums and severance benefits).

## **10. VAT**

The rate remains at 15%. The compulsory VAT registration threshold remains at R1 million turnover per twelve month period.

## **11. FOREIGN EXCHANGE**

The offshore investment allowance remains at R10 million per adult person per calendar year. In addition the R1 million individual single discretionary allowance remains.

## **12. VOLUNTARY DISCLOSURE PROGRAM**

Taxpayers who have undisclosed income whether local or foreign, may avail themselves of the permanent normal SARS Voluntary Disclosure Program (VDP) contained in the Tax Administration Act, in order to mitigate penalties.

As regards unauthorised foreign assets, a person may approach the SA Reserve Bank (SARB) for post SVDP regularisation and each case is considered on its own merits.

---

**Compliments of Universal Life Brokers & Consultants cc**