For a long period of time, there have been rumours that individual tax rates would increase and also that a so-called wealth tax would be on the cards – with the consensus being that it would happen in the budget of 2016/2017. To the surprise of most, these expectations did not materialise, apart from a 1% increase in the marginal rate of tax. However, it seemed inevitable that a budget would eventually be tabled that targeted the wealthy in South Africa … and here we have it now. This is evidenced by the introduction of an additional income tax bracket for individuals who earn more than R1,500,000 as well as an increase in the rate of Dividend Withholding Tax. Even though the inclusion rate of capital gains realised did not increase, with the increase in the marginal tax bracket rate, the effective rate for capital gains realised by these individuals increases automatically. Other amendments include:

- An increase in the Income tax brackets and applicable rebates of a mere 1%
- Medical tax credits were increased by 6%
- “Sin” taxes, as is the norm, have again been increased – the increases vary but are on average 8.8%
- The fuel levy has been increased by 30c per litre and, unlike last year, the road accident levy has also been increased by 9c per litre – the effective date for this change is 5 April 2017
- Dividend Withholding Tax rate increased from 15% to 20% – the change in this rate is effective immediately
- The tax free investment vehicle (TFSA) which was created to promote savings had its annual contribution allowance increased from R30,000 to R33,000 – the overall lifetime limit of R500,000 is unchanged though
- The threshold for transfer duty has been increased from R750,000 to R900,000
- The introduction of Section 7C to the Income Tax Act, dealing with interest on trust loan accounts, has been effected.

The increases that we are seeing may only be the beginning and we are likely to see further increases in tax, especially since there are proposals to charge VAT on fuel purchases as well as amending the exemption afforded South African residents in respect of foreign employment earnings.
2017/2018 Budget highlights for Individuals

TAX TABLES

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>R0 – R188,000</td>
<td>18% of each R1</td>
<td>R0 – R189,880</td>
<td>18% of each R1</td>
</tr>
<tr>
<td>R188,001 – R293,600</td>
<td>R33,840 + 26% of the amount above R188,000</td>
<td>R189,881 – R296,540</td>
<td>R34,178 + 26% of the amount above R189,880</td>
</tr>
<tr>
<td>R293,601 – R406,400</td>
<td>R61,296 + 31% of the amount above R293,600</td>
<td>R296,541 – R410,460</td>
<td>R61,910 + 31% of the amount above R296,540</td>
</tr>
<tr>
<td>R406,401 – R550,100</td>
<td>R96,264 + 36% of the amount above R406,400</td>
<td>R410,461 – R555,600</td>
<td>R97,225 + 36% of the amount above R410,460</td>
</tr>
<tr>
<td>R550,101 – R701,300</td>
<td>R147,996 + 39% of the amount above R550,100</td>
<td>R555,601 – R708,310</td>
<td>R149,475 + 39% of the amount above R555,600</td>
</tr>
<tr>
<td>R701,301 and above</td>
<td>R206,964 + 41% of the amount above R701,300</td>
<td>R708,311 – R1,500,000</td>
<td>R209,032 + 41% of the amount above R708,310</td>
</tr>
<tr>
<td></td>
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<td>R1,500,001 and above</td>
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</tbody>
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REBATES
- Primary rebate: Increased from R13,500 to R13,635
- Secondary rebate (individuals over 65): Increased from R7,407 to R7,479
- Tertiary rebate (individuals over 75): Increased from R2,466 to R2,493

TAX THRESHOLD
- Under age of 65: Increased from R75,000 to R75,750
- Over age of 65: Increased from R116,150 to R117,300
- Over age of 75: Increased from R129,850 to R131,150

INTEREST EXEMPTION
- Below age of 65: R23,800 (unchanged)
- Age of 65 and over: R34,500 (unchanged)

MEDICAL SCHEME CONTRIBUTIONS AND EXPENSES
- Monthly monetary tax credit of:
  - R303 for the first two members
  - R204 for every additional member

OTHER PERTINENT INFORMATION:
- The annual allowance for investing in tax free savings accounts increased to R33,000 per annum – the overall lifetime limit remains at R500,000
- Dividend Withholding Tax increases to 20% (2017: 15%) – effective date 22 February 2017
- Transfer duty threshold increased from R750,000 to R900,000
- Gain/loss annual exclusion remains unchanged at R40,000
- Exclusion on death is unchanged at R300,000
- Value Added Tax – unchanged at 14% – Companies – unchanged at 28%
- Donations Tax and Estate Duty at 20% (rate as well as tax-free portions are unchanged)
- Fuel and road accident levy increased by 30c and 9c per litre respectively – effective 5 April 2017

PERSONAL OPINIONS MARCH 2017