SUMMARY OF THE BUDGET SPEECH 2018  
22 February 2018

With Cyril Ramaphosa being elected as president of South Africa, there was some speculation as to whether Malusi Gigaba would in fact present the budget for 2018/2019. He did however go ahead and with SARS facing a collection shortfall of nearly R50 billion, the question on the minds of many South Africans was how this shortfall would be addressed, especially in light of the announcement by former president Jacob Zuma that free tertiary education would be provided to certain households.

Increases in VAT (Value Added Tax), Capital Gains Tax, Donations Tax as well as Estate Duty taxes were cited for this purpose. But as the tax burden for the individual taxpayer was increased across a number of tax types during the 2017/2018 budget, it was good to see that there were no further hikes in these taxes. Nevertheless, the so called wealthy did not escape the eye of Malusi Gigaba. The increases to the medical aid tax credits were below inflation and no tax relief was given to the upper income tax brackets. VAT, an indirect tax which has been cited as possibly increasing each year, eventually saw an increase in its rate by 1% - this increase, which may seem insignificant, will contribute nearly two-thirds of the additional revenue which is expected to be collected.

The amendments mentioned in the budget include:
- An increase in the Income Tax brackets and applicable rebates of 3%
- Medical tax credits were increased by 2%.
- “Sin” taxes, as is the norm, have again been increased — the increases vary but are on average 8.1%
- The fuel and Road Accident Fund levy have been increased by 22c and 30c per litre respectively with the effective date for this change being 4 April 2018
- Estates, with a value in excess of R30 million, will pay tax at a rate of 25% as opposed to 20%
- Similarly, donations in excess of R30 million will incur Donations Tax at a rate of 25% as opposed to 20%. The tax free allowances remain at R100,000 per individual

The long anticipated increase in VAT tax is essentially due to the limited manoeuvring opportunities following the increases imposed on individual taxpayers in the budget of 2017/2018. With a below inflation increase in the medical credits afforded taxpayers, it could be that taxpayers may no longer receive this benefit but only time will tell.
The table below summarises the salient points for individuals.

2018/2019 Budget highlights for Individuals

### Tax Tables

<table>
<thead>
<tr>
<th>2017/2018</th>
<th>2018/2019</th>
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<tbody>
<tr>
<td><strong>Taxable Income (R)</strong></td>
<td><strong>Rates of Tax</strong></td>
</tr>
<tr>
<td>R0 – R189,880</td>
<td>18% of each R1</td>
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<tr>
<td>R189,881 – R296,540</td>
<td>R34,178 + 26% of the amount above R189,880</td>
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<tr>
<td>R296,541 – R410,460</td>
<td>R61,910 + 31% of the amount above R296,540</td>
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<tr>
<td>R410,461 – R555,600</td>
<td>R97,225 + 36% of the amount above R410,460</td>
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<tr>
<td>R555,601 – R708,310</td>
<td>R149,475 + 39% of the amount above R555,600</td>
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<tr>
<td>R708,311 – R1,500,000</td>
<td>R209,025 + 41% of the amount above R708,310</td>
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<tr>
<td>R1,500,001 and above</td>
<td>R533,625 + 45% of the amount above R1,500,000</td>
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### Rebates

- **Primary rebate**
  
  Increased from R13,635 to R14,067

- **Secondary rebate (individuals over 65)**
  
  Increased from R7,479 to R7,713

- **Tertiary rebate (individuals over 75)**
  
  Increased from R2,493 to R2,574

### Tax Threshold

- **Under age of 65**
  
  Increased from R75,750 to R78,150

- **Over age of 65**
  
  Increased from R117,300 to R121,000

- **Over age of 75**
  
  Increased from R131,150 to R135,300
Interest Exemption
Below age of 65 R23,800 (unchanged)
Age of 65 and over R34,500 (unchanged)

Donations Tax and Estate Duty
Below R30,000,000 – 20% - unchanged
Above R30,000,000 – 25% - (2017: 20%)

Medical scheme contributions and expenses
Monthly monetary tax credit of:
- R310 for the first two members
- R209 for every additional member

Other pertinent information:
- The annual allowance for investing in tax free savings accounts and overall limit – R33,000 (unchanged)
- The overall lifetime limit remains at R500,000 (unchanged)
- Value Added Tax rate increases to 15% (2018: 14%) – effective date 1 April 2018
- Transfer duty threshold unchanged
- Gain/loss annual exclusion remains unchanged at R40,000
- Exclusion on death is unchanged at R300,000
- Companies – unchanged at 28%
- Fuel and road accident levy increased by 22c and 30c per litre respectively – effective 4 April 2018

Ronald Smith