

BUDGET

2018/2019



Ronald Smith, Manager in the Personal Trust Tax Department, summarises the tax changes which will be implemented according to the Budget Speech.

With Cyril Ramaphosa being elected as president of South Africa so recently, there was speculation whether Malusi Gigaba would present the budget for 2018/2019. With the South African Revenue Service 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 Value Added Tax (VAT), Capital Gains Tax, Donations Tax as well as Estate Duty taxes were cited for this purpose.

But since 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. Value Added Tax, an indirect tax which each year has been cited as possibly increasing, 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 – the effective date for this change is 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-awaited increase in Value Added Tax has materialised, which is essentially due to limited manoeuvring opportunities following the host of increases imposed on individual taxpayers in the budget of 2017/2018. With a below inflation increase in the medical credits afforded taxpayers, could it be that taxpayers will soon no longer receive this benefit? ... only time will tell.

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2018/2019

Budget highlights for Individuals

2017/2018		2018/2019	
Taxable Income (R)	Rates of Tax	Taxable Income (R)	Rates of Tax
R0 – R189,880	18% of each R1	R0 – R195,850	18% of each R1
R189,881 – R296,540	R34,178 + 26% of the amount above R189,880	R195,851 – R305,850	R35,253 + 26% of the amount above R195,850
R296,541 – R410,460	R61,910 + 31% of the amount above R296,540	R305,851 – R423,300	R63,853 + 31% of the amount above R305,850
R410,461 – R555,600	R97,225 + 36% of the amount above R410,460	R423,301 – R555,600	R100,263 + 36% of the amount above R423,300
R555,601 – R708,310	R149,475 + 39% of the amount above R555,600	R555,601 – R708,310	R147,891 + 39% of the amount above R555,600
R708,311 – R1,500,000	R209,032 + 41% of the amount above R708,310	R708,311 – R1,500,000	R207,448 + 41% of the amount above R708,310
R1,500,001 and above	R533,625 + 45% of the amount above R1,500,000	R1,500,001 and above	R532,041 + 45% of the amount above R1,500,000

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 Fund levy** increased by 22c and 30c per litre respectively – effective 4 April 2018