



2019/2020

Ronald Smith summarises the tax changes which will be implemented according to the Budget Speech.

The South African Revenue Services (SARS), under Pravin Gordhan's direction, was considered the best run state organisation with increased collections year on year. It now finds itself reduced to an establishment unable to achieve the revenue collections required, with shortfalls being announced over the last few years. Two key positions, that of Finance Minister and SARS Commissioner, have been inconsistent and there have been incredulous appointments. This has not only had a negative impact on collections as already mentioned, but also on service delivery – to which many tax practitioners can attest. Ultimately, SARS has failed to meet its collection targets and in turn has placed additional pressure on government resources – it is also for this reason I find myself writing an article on budget changes of which there weren't many to speak of, and those that there were, spell nothing positive for the man in the street.

Noteworthy amendments of the budget are:

- An increase in Income Tax rebates of 1%
- "Sin" taxes, as is the norm, have again been increased – the increases vary but are on average 7.5%
- The Fuel and Road Accident Fund levy has been increased by 15c and 5c per litre respectively – the effective date for this change is 3 April 2019

- In addition to these levies, a new carbon fuel levy of 9c and 10c per litre for fuel and diesel respectively will be introduced – the effective date of implementation is 5 June 2019.

An interesting development is that of electronic cigarettes and tobacco heating products. Government has observed a move away from traditional tobacco products to these electronic products and it intends to raise a "sin" tax in respect thereof. At this stage there is no timing of its implementation but, noting the cash crunch in which the government finds itself, I suspect that this piece of legislation will not take long to be formulated and implemented.

Stability in the positions of Finance Minister and SARS Commissioner must be achieved. The appointment of Tito Mboweni, former Reserve Bank Governor, as Finance Minister and Mark Kingon, as the acting SARS Commissioner, is a step in the right direction – provided they remain in their posts. If this can be achieved, I believe we can look forward to an improvement in both the collections and service delivery areas which should bring better news to the tax paying public than there has been in recent years.

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2019/2020

Budget highlights for Individuals

TAX TABLES

2018/2019		2019/2020	
Taxable Income (R)	Rates of Tax	Taxable Income (R)	Rates of Tax
R0 – R195,850	18% of each R1	R0 – R195,850	18% of each R1
R195,851 – R305,850	R35,253 + 26% of the amount above R195,850	R195,851 – R305,850	R35,253 + 26% of the amount above R195,850
R305,851 – R423,300	R63,853 + 31% of the amount above R305,850	R305,851 – R423,300	R63,853 + 31% of the amount above R305,850
R423,301 – R555,600	R100,263 + 36% of the amount above R423,300	R423,301 – R555,600	R100,263 + 36% of the amount above R423,300
R555,601 – R708,310	R147,891 + 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	R207,448 + 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	R532,041 + 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 R14,067 to R14,220
Secondary rebate (individuals over 65)	Increased from R7,713 to R7,794
Tertiary rebate (individuals over 75)	Increased from R2,574 to R2,601

TAX THRESHOLD

Under age of 65	Increased from R78,150 to R79,000
Over age of 65	Increased from R121,000 to R122,300
Over age of 75	Increased from R135,300 to R136,750

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% (unchanged)

MEDICAL SCHEME CONTRIBUTIONS AND EXPENSES

Monthly monetary tax credit of:

- R310 for the first two members (unchanged)
- R209 for every additional member (unchanged)

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 unchanged at 15%
- Transfer duty threshold unchanged
- Gain/loss annual exclusion unchanged at R40,000
- Exclusion on death is unchanged at R300,000
- Company tax rate: unchanged at 28%
- **Fuel and road accident levy** increased by 15c and 5c per litre respectively (effective 3 April 2019)
- **Carbon fuel levy on petrol and diesel** of 9c and 10c per litre respectively (effective 5 June 2019)