

# Tax Guide 2010/2011

 **PINTO RUSSELL**



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### IMPORTANT NOTE

The information contained in this Booklet is a summary of current legislation and budget proposals proposed by Minister Gordhan on the 17th February 2010. We suggest that you do not act solely on material contained in this Booklet as the nature of the information contained herein is general and may in certain circumstances be subject to misinterpretation. In addition, the budget proposals may not include all legislative adjustments which could be made in the near future. Consequently we recommend that our advice be sought when encountering these potentially problematic areas. While every care has been taken in the compilation of this Booklet, no responsibility of any nature whatsoever shall be accepted for any inaccuracies, errors, or omissions.

## **2010/2011 BUDGET REVIEW**

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### **PERSONAL INCOME TAX RELIEF**

The primary rebate is increased to R10 260 per year for all individuals. The secondary rebate, which applies to individuals aged 65 years and over, is increased to R5 675 per year.

### **MEDICAL SCHEME CONTRIBUTIONS AND MEDICAL EXPENSES**

From 1 March 2010, the monthly monetary caps for deductible medical scheme contributions will increase from R625 to R670 for each of the first two beneficiaries, and from R380 to R410 for each additional beneficiary. The proposed conversion of these deductions into non-refundable tax credits will be postponed to 1 March 2012.

### **RETRENCHMENT PACKAGE MERGER**

The R30 000 income-tax exemption for retrenchment packages has not been adjusted in many years. It is proposed to merge this exemption into the retirement lump sum tax exemption. In future, all retirement and retrenchment lump sum payments will be treated equally.

### **TAX FREE INTEREST**

Annual tax-free interest income will be increased from R21 000 to R22 300 for individuals below 65 years, from R30 000 to R32 000 for individuals 65 years and over, and from R3 500 to R3 700 for foreign-interest income.

These exemptions will be limited to savings through widely available interest-bearing instruments, such as bank deposits, government retail bonds and collective investment money market funds. The new limits will exclude tax planning aimed at shifting taxable income.

## **2010/2011 BUDGET REVIEW**

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### **DISCONTINUATION OF THE SITE SYSTEM**

Administrative modernisation, and the fact that the personal income tax threshold for taxpayers younger than 65 years is approaching the SITE ceiling of R60 000, have eliminated the need for this system. Government proposes to repeal SITE with effect from 1 March 2011.

### **COMPANY CAR FRINGE BENEFITS**

The company car fringe benefit rules will be tightened by increasing the deemed monthly taxable values. This amendment will limit the potential abuse of company car fringe benefits.

### **EMPLOYEE DEFERRED COMPENSATION AND INSURANCE SCHEMES**

Companies often protect themselves against revenue shortfalls stemming from the loss of key employees by taking out employee life cover. These policies have over time become methods of creating immediate tax deductions for employers while providing tax-deferred benefit packages on behalf of employees upon retirement or termination of employment. Problems also exist with employer-provided group life insurance schemes. Steps will be taken to ensure that employer deductions match employee gross income. Employee insurance packages will be taxed fully as fringe benefits on a monthly basis.

### **CLOSURE OF SOPHISTICATED TAX LOOPHOLES**

An area of concern to the fiscus is the use of sophisticated tax avoidance schemes. The scale of these schemes often presents a substantial loss to the fiscus, even when considered in isolation. Below are descriptions of schemes that have been identified for closure.

## **2010/2011 BUDGET REVIEW**

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- Interest cost allocation for finance operations
- 'Protected cell' companies
- Cross-border insurance payments
- Participation preference and guaranteed shares
- Restricting the cross-border interest exemption
- Transfer pricing

### **IMPROVEMENTS ON LEASED LAND**

Depreciation allowances, including the accelerated depreciation relief for urban development zones, are available if the underlying land is owned by the party undertaking the improvement. This requirement creates practical problems for development partnerships undertaken by government and the private sector. Government entities often provide long-term use of land in exchange for private development. An enhanced allowance will be considered for private developers who improve another party's land, subject to anti-avoidance mechanisms.

### **CARBON DIOXIDE VEHICLE EMISSIONS TAX**

The 2009 Budget announced an ad valorem CO<sub>2</sub> emissions tax on new passenger motor vehicles. Based on subsequent consultations, it is recommended that the original tax proposal be converted into a flat rate CO<sub>2</sub> emissions tax, effective from 1 September 2010. The main objective of this tax is to influence the composition of South Africa's vehicle fleet to become more energy efficient and environmentally friendly. The emissions tax will initially apply to passenger cars, but will be extended to commercial vehicles once agreed CO<sub>2</sub> standards for these vehicles are set.

### **VAT AND RESIDENTIAL PROPERTY DEVELOPERS**

The sale of residential property by developers is subject to VAT at the standard rate, while the leasing of residential accommodation is VAT exempt. VAT input

## **2010/2011 BUDGET REVIEW**

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credits are allowed for standard-rated sales of property, but disallowed for exempted rentals. The temporary leasing of residential units requires a full claw-back of the VAT input credits for leased units.

The current value of the adjustment is disproportionate to the exempt temporary rental income. Options will be investigated to determine an equitable value and rate of clawback for developers.

### **GENERAL FUEL LEVY**

It is proposed to increase the general fuel levy on petrol and diesel by 10 c/l in line with the expected rate of inflation. An additional 7.5 c/l increase on both petrol and diesel is proposed to help fund the new multi-product petroleum pipeline between Durban and Gauteng. Both increases will take effect on 7 April 2010. The diesel fuel tax refund and biodiesel fuel tax rebate concessions automatically adjust to maintain the relative benefits for qualifying beneficiaries.

### **ROAD ACCIDENT FUND LEVY**

It is proposed to increase the Road Accident Fund levy on petrol and diesel by 8 c/l, from 64 c/l to 72 c/l, with effect from 7 April 2010.

### **VOLUNTARY DISCLOSURE**

To encourage taxpayers to come forward and avoid the future imposition of interest, a voluntary disclosure programme will be instituted from 1 November 2010 to 31 October 2011.

A defaulting taxpayer will be granted relief under the programme, provided:

- The disclosure is complete
- SARS was not aware of the default
- A penalty or additional tax would have been imposed had SARS discovered the default in the normal course of business.

## **2010/2011 BUDGET REVIEW**

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### **REORGANISATIONS AND BAD DEBTS**

The reorganisation rules are designed so that the acquiring company generally “steps into the shoes” of the party transferring qualifying assets. However, this concept does not technically apply in the case of bad debts. As a result, creditors cannot claim a bad-debt deduction for debts if the creditor claim is acquired in a reorganisation with the default occurring afterward. It is proposed that the reorganisation rules be modified so that bad-debt deductions can be claimed in these circumstances, provided this modification does not give rise to double losses.

### **MEASURES TO PROMOTE YOUTH EMPLOYMENT**

Under consideration is a cash reimbursement to employers for a two-year period, operating through the SARS payroll tax platform, and subject to minimum labour standards. It will be available to tax-compliant businesses, non-governmental organisations and municipalities. Our preliminary estimate is that about 800 000 people will qualify.

The aim is to raise employment of young school-leavers by a further 500 000 by 2013.

### **TAXES UPON DEATH**

Both estate duty and capital gains tax are payable upon death, which is perceived as giving rise to double taxation. The estate duty raises limited revenue and is cumbersome to administer. Moreover, its efficacy is questionable: many wealthy individuals escape estate duty liability through trusts and other means. Taxes upon death will be reviewed.



**NORMAL RATES OF TAX PAYABLE BY  
NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2011**

TAXABLE INCOME		RATES OF TAX	
R0	– R140 000	+ 18% of each R1	
R140 001	– R221 000	R25 200	+ 25% of the amount over R140 000
R221 001	– R305 000	R45 450	+ 30% of the amount over R221 000
R305 001	– R431 000	R70 650	+ 35% of the amount over R305 000
R431 001	– R552 000	R114 750	+ 38% of the amount over R431 000
R552 001	and above	R160 730	+ 40% of the amount over R552 000

**NORMAL RATES OF TAX PAYABLE BY  
NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2010**

TAXABLE INCOME		RATES OF TAX	
R0	– R132 000	+ 18% of each R1	
R132 001	– R210 000	R23 760	+ 25% of the amount over R132 000
R210 001	– R290 000	R43 260	+ 30% of the amount over R210 000
R290 001	– R410 000	R67 260	+ 35% of the amount over R290 000
R410 001	– R525 000	R109 260	+ 38% of the amount over R410 000
R525 001	and above	R152 960	+ 40% of the amount over R525 000

**NORMAL RATES OF TAX PAYABLE BY  
NATURAL PERSONS FOR THE YEAR ENDED 28 FEBRUARY 2009**

TAXABLE INCOME		RATES OF TAX	
R 0	— R 122 000		+ 18% of each R1
R 122 001	— R 195 000	R 21 960	+ 25% of the amount over R 122 000
R 195 001	— R 270 000	R 40 210	+ 30% of the amount over R 195 000
R 270 001	— R 380 000	R 62 710	+ 35% of the amount over R 270 000
R 380 001	— R 490 000	R 101 210	+ 38% of the amount over R 380 000
R 490 001	and above	R 143 010	+ 40% of the amount over R 490 000

**TAX REBATES**

**AMOUNTS DEDUCTIBLE FROM TAXES PAYABLE:**

	2009	2010	2011
■ Primary Rebate. . . . .	R 8 280	R 9 756	R 10 260
■ Additional Rebate (Applicable to taxpayers 65 years and older). . . . .	R 5 040	R 5 400	R 5 675

**TAX THRESHOLDS**

**TAXABLE INCOMES ON WHICH NO TAX IS PAYABLE:**

	2009	2010	2011
■ Natural Persons under 65 . . . . .	R 46 000	R54 200	R57 000
■ Natural Persons 65 years and older . . . . .	R 74 000	R84 200	R88 528

## **DEDUCTIONS**

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Employee deductions are limited to the following:

- Business travel deduction limited to car allowance
- Certain medical expenses
- Contributions to pension and retirement funds
- Donations to certain public benefit organisations
- Specific expenditure against allowances of holders of public office
- Wear and tear allowances on equipment.

**The following currently represent certain standard deductions which may be utilised by taxpayers -**

### **MEDICAL EXPENSES:**

For taxpayers under 65 years of age, this deduction is limited to expenditure (including contributions) which exceeds 7.5% of taxable income.

For taxpayers over 65 years of age, there are no limitations and all expenses are deductible. Where the taxpayer qualifies as a "handicapped person", the taxpayer may deduct all qualifying medical expenditure.

### **CURRENT PENSION FUND CONTRIBUTIONS:**

This deduction is limited to the greater of R1 750 or 7.5% of remuneration from retirement funding employment.

### **CURRENT RETIREMENT ANNUITY FUND CONTRIBUTIONS:**

This deduction is limited to the greater of 15% of taxable income from non-retirement funding employment, R1 750 or R3 500 less Pension Fund contributions.

## FRINGE BENEFITS

### TRAVELLING ALLOWANCE

For the Tax year ending 2011

Rates per kilometre which may be used in determining the allowable deduction for business-travel, where no records of actual costs are kept.

WHERE THE VALUE OF THE VEHICLE IS (Including VAT)	FIXED COST R p.a.	FUEL COST c/km	MAINTENANCE COST c/km
0 - 40 000	14 672	58.6	21.7
40 001 - 80 000	29 106	58.6	21.7
80 001 - 120 000	39 928	62.5	24.2
120 001 - 160 000	50 749	68.6	28.0
160 001 - 200 000	63 424	68.8	41.1
200 001 - 240 000	76 041	81.5	46.4
240 001 - 280 000	86 211	81.5	46.4
280 001 - 320 000	96 260	85.7	49.4
320 001 - 360 000	106 367	94.6	56.2
360 001 - 400 000	116 012	110.3	75.2
exceeding 400 000	116 012	110.3	75.2

**Note:** The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for less than a full year.

As was mentioned in the Budget Speech in February 2009, the deemed kilometre method for deducting travel expenses falls away from March 1 2010 and employees will only be able to claim business travel expenses if they maintain a logbook of business kilometres travelled. Furthermore, the portion of the travel allowance subject to PAYE will increase from 60% to 80%, also effective March 1 2010.

*Alternatively;*

Where the distance travelled for business purposes does not exceed 8 000 kilometres per annum, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 292 cents per kilometre regardless of the value of the vehicle.

This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.

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## **EMPLOYER-OWNED VEHICLES:**

The taxable value is 2,5% of the determined value (usually the cash cost excluding VAT) per month. Where a second (and further) vehicle is made available to an employee or his family, and the vehicle is not used primarily for business purposes, the benefit is 2,5% per month on the vehicle with the highest value and 4% per month on the other vehicle(s). Where the employee bears the cost of all fuel used for the purposes of the private use of the vehicle (including travelling between the employee's place of residence and his/her place of employment) the monthly percentage to be applied is reduced by 0,22 percentage points.

If the employee bears the full cost of maintaining the vehicle (including the cost of repairs, servicing, lubrication and tyres) the monthly percentage to be applied is reduced by 0,18 percentage points.

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## **HOLIDAY ACCOMMODATION *provided by Employer***

Employee taxed on —

- Lower of R100 per day or prevailing market rate
- All costs incurred if accommodation is hired by Employer

## **SUBSISTENCE ALLOWANCE**

The unexpended portion of any allowance given to an Employee for expenses for personal subsistence and incidental costs, e.g. —

- Accommodation and meals is subject to tax if required to spend at least one night away from home.
- In order to simplify the administrative procedures, the amount in excess of the limits described below is taxable.

### **Overseas travel**

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Where the accommodation to which that allowance or advance relates is outside the Republic, a specific amount per country is deemed to have been expended. Details of these amounts are published on the SARS website.

### **Local travel**

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The following amounts are deemed to have been expended by an employee in respect of a subsistence allowance.

- R85 per day or part thereof for incidental costs;
- R276 per day or part thereof for meals and incidental costs

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## **RESIDENTIAL ACCOMMODATION**

A benefit arises where an employee has been provided with residential accommodation. The fringe benefit to be included in gross income is the greater of the benefit calculated by applying a prescribed formula or the cost to the employer. The formula will apply if the accommodation is owned by the employer, or an associated institution in relation to the employer, or under certain limited circumstances where it is not owned by the employer.

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## **LOW INTEREST/INTEREST-FREE LOANS**

Amount taxed is the difference between interest payable on the loan by the employee and official interest rate Short term loans, not granted regularly, not granted to all Employees, not in excess of R 3 000, are not taxable benefits.

## TAXATION OF LUMP SUMS

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### RETIREMENT FUND LUMP SUM WITHDRAWAL BENEFITS

TAXABLE INCOME	RATES OF TAX
R0 – R22 500	0% of taxable income
R22 501 – R600 000	18% of taxable income above R22 500
R600 001 – R900 000	R103 950 + 27% of taxable income above R600 000
R900 001 and above	R184 950 + 36% of taxable income above R900 000

Retirement fund lump sum withdrawal benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdrawal. Tax on a specific retirement fund lump sum withdrawal benefit (X) is equal to–

- tax determined by applying the tax table to the aggregate of that lump sum X plus all other retirement fund lump sum withdrawal benefits accruing from March 2009 and all retirement fund lump sum benefits accruing from October 2007; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum withdrawal benefits accruing before lump sum X from March 2009 and all retirement fund lump sum benefits accruing from October 2007.

## TAXATION OF LUMP SUMS

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### RETIREMENT FUND LUMP SUM BENEFITS

TAXABLE INCOME	RATES OF TAX
R0 – R300 000	0% of taxable income
R300 001 – R600 000	18% of taxable income above R300 000
R600 001 – R900 000	R54 000 + 27% of taxable income above R600 000
R900 001 and above	R135 000 + 36% of taxable income above R900 000

Retirement fund lump sum benefits consist of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment due to redundancy or termination of employer's trade. Tax on a specific retirement fund lump sum benefit (Y) is equal to–

- tax determined by applying the tax table to the aggregate of that lump sum Y plus all other retirement fund lump sum benefits accruing from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009; less
- tax determined by applying the tax table to the aggregate of all retirement fund lump sum benefits accruing before lump sum Y from October 2007 and all retirement fund lump sum withdrawal benefits accruing from March 2009.



## **PROVISIONAL TAX**

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Provisional taxpayers are required to make two payments during a tax year, i.e. every six months. In addition, provisional taxpayers with taxable income in excess of R50 000 per annum (Companies and Close Corporations: R20 000 per annum) must pay a third “top-up” payment to avoid interest leviable in terms of Section 89 quat of the Income Tax Act.

Under normal circumstances, this 3rd provisional payment is due 6 months after a taxpayer’s year-end. In the case of a taxpayer with a February year-end, the “top-up” payment can be made by the end of September of every year.

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### **TAXPAYERS DEFINED FOR PROVISIONAL TAX PURPOSES**

- Income earners not deriving remuneration as defined
- Companies, CCs, Trusts

*Directors and members of a close corporation are not required to register as provisional taxpayers merely because they are directors of private companies or members of a close corporation.*

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### **PERSONS EXEMPT FROM MAKING PROVISIONAL TAX PAYMENT**

- Natural persons under the age of 65 who do not carry on business, and whose taxable income will not exceed the tax threshold or whose interest, foreign dividends and rental will not exceed R10 000.
- Non-residents
- Certain farming, fishing and diamond-digging operators
- Natural persons over 65 years of age not carrying on a business with taxable income not exceeding R120 000
- Non-resident ship or aircraft charterers

## **PAYE & SITE**

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### **STANDARD INCOME TAX ON EMPLOYEES (SITE)**

**SITE** is a procedure through which the normal tax in respect of the first segment of an Employee's remuneration (R60 000 in all cases) is determined by the Employer and deducted under the PAYE system. **SITE** constitutes either a final or minimum liability, and is only refundable in certain scenarios. The most important exclusions from **SITE** systems are:

- Director's remuneration
- Self-employed practitioners
- Remuneration that may be set off against any assessed loss

All taxpayers who receive remuneration as defined will thus have an element of **SITE** in their tax deductions but only amounts which are PAYE in excess of the **SITE** liability will be refundable.

From an administrative point of view, the **SITE** liability is only calculated at the end of a tax period, tax deductions are made in terms of the PAYE tables, on a monthly basis.

**SITE is to be discontinued wef 1 March 2011**

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### **PAY AS YOU EARN (PAYE)**

Any Employee's remuneration which is not 'net remuneration' as defined or exceeds **SITE** limits (R60 000) is subject to monthly deductions according to the **PAYE** tables.

- 80% of any Travel Allowance
- Payment made to directors of private companies (including members of close corporations) in respect of services rendered are subject to **PAYE**.
- **PAYE** should be withheld from remuneration paid to labour brokers unless an exemption certificate is obtained.
- **ANNUITIES** from Annuity Funds are subject to **PAYE** and **SITE**.

# **COMPANIES AND CLOSE CORPORATIONS**

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## **NORMAL TAXATION**

Close corporations and companies are treated the same for tax purposes and are taxed at the South African normal company tax rate of 28%.

Employment companies that are classified as personal service providers (see page 20) or labour brokers (who have not been issued with an exemption certificate for PAYE purposes) are taxed at 33%. A small business corporation (see pg 21 for rates) is a close corporation or private company (other than an employment company) of which: a) the entire shareholding or membership is held by natural persons; b) the gross income does not exceed R14 million during the year of assessment; c) none of the members, at any time during the year of assessment, held shares in any other company (other than listed companies, collective investment schemes, body corporates, shareblock companies, certain associations of persons, friendly societies and small interests in co-operatives); d) not more than 20% of the gross income and capital gains consists of investment income; e) if engaged in the provision of personal services, maintains at least three full-time employees (none of whom may be a shareholder or a connected person in relation to the shareholder) for core operations.

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## **SECONDARY TAX ON COMPANIES**

A company resident in South Africa is liable for Secondary Tax on Companies (STC) on dividends declared. STC of 10%, is payable within a month of the end of the dividend cycle. Dividends declared by a company in liquidation, winding-up or deregistration from capital profits that accrued after 1 October 2001, are subject to STC. If the capital profits accrued before that date, the dividend will be exempt from STC if declared in the process of liquidation or deregistration, provided certain prescribed steps are taken and instituted within 6 months after the date the dividend is declared.

## TRUSTS

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Various anti-avoidance provisions exist to combat the use of trusts for income splitting and tax avoidance schemes. These provisions work mainly on a basis whereby any income earned by the trust as a result of a donation, settlement, or other disposition made by a person ('the donor'), which is not distributed, is deemed to be the income of that donor and taxed in their hands. If income is distributed to beneficiaries who are minor children of the donor, the income is also taxed in the hands of the donor. Similar provisions exist in respect of capital gains made by or accrued to a trust.

Trusts are very important in estate planning and if properly planned, managed and controlled can act as a significant shelter against future estate duties. With the introduction of Capital Gains Tax, the effectiveness of the use of trusts in estate planning has been slightly negated, but with careful planning the impact of CGT can be reduced and even completely avoided.

Trusts are divided into two categories for tax purposes :

- Special Trusts
- All other Trusts

A special trust means a trust created solely for the benefit of someone who suffers from a mental illness as defined in the Medical Health Care Act, or any serious physical disability where such illness or disability prevents such person from earning sufficient income for their maintenance or from managing their own financial affairs. A special trust can also be created by way of a testamentary trust whereby beneficiaries of the testator who suffer from illness or physical disability as defined and where the youngest of the beneficiaries is on the last day of the year of assessment of that trust is under the age of 21 years.

The tax rates applicable to Special Trusts are the same as those applicable to natural persons, except that the primary rebate and interest and foreign dividend exemptions do not apply.

## PERSONAL SERVICE PROVIDERS (PSP)

Effective from 1 March 2009 a “PSP” replaces a personal service company and personal service trust .

How to determine what qualifies as a PSP

- If the receipts of the entity comprise ‘remuneration’ as defined .
- If the services are rendered personally by any person who is a connected person .
- If the entity employed more than three full-time employees throughout the year of assessment,
  - engaged in rendering such service on a full-time basis
  - are shareholders or members of the entity,
  - or connected persons in relation to the person who is personally rendering the service.

Furthermore an affirmative response to at least one of the following would indicate that an entity is a PSP:

- The person who is rendering the service or the entity performing the duties would have been regarded as an “employee” of the client if the service was rendered directly to the client .
- is mainly at the premises of the client and subject to the control or supervision of the client
- More than 80% of the income of the entity stems from one client as defined

Where the responses are affirmative, the entity will be treated as a PSP and will be subject to employees’ tax at the rate of 33%.

## TURNOVER TAX FOR MICRO BUSINESSES, FINANCIAL YEAR ENDING 28 FEB 2011

TAXABLE TURNOVER		RATES OF TAX	
R0	– R100 000		+ 0%
R100 001	– R300 000		+ 1% of the amount over R100 000
R300 001	– R500 000	R2 000	+ 3% of the amount over R300 000
R500 001	– R750 000	R8 000	+ 5% of the amount over R500 000
R750 001	and above	R20 500	+ 7% of the amount over R750 000

## SMALL BUSINESS CORPORATIONS

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### Taxable income

### Tax rates

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#### 2009

R0 - R46 000

Nil

R46 001 - R300 000

10% of amount above R46 000

R300 001 and above

R25 400 + 28% of amount above R300 000

#### 2010

R0 - R54 200

Nil

R54 201 - R300 000

10% of the amount above R54 200

R300 001 and above

R24 580 + 28% of amount above R300 000

#### 2011

R0 - R57 000

Nil

R57 001 - R300 000

10% of the amount above R57 000

R300 001 and above

R24 300 + 28% of amount above R300 000

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### Rates applies if

- All shareholders throughout the year of assessment are natural people who hold no shares in any other private companies or members interest in any other close corporations (unless such company or corporation is a unused shelf company or in the process of liquidation)
  - Gross income for the year does not exceed R14m
  - Not more than 20% of the gross income consists collectively of investment income ( annuity, interest, rental income, royalty, dividends, proceeds from marketable securities or immovable property) or from income from rendering a personal service (accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, broking, commercial arts, consulting, draughtsmanship, education, engineering, entertainment, health, information technology, journalism, law, management, performing arts, real estate research, secretarial services, sport, surveying, translation, valuation, or veterinary science, which is performed personally by any person who holds an interest in the company or close corporation except where such corporation employs three or more unconnected full time employees for core operations
  - Corporation or company is not an employment entity
- 

### Accelerated depreciation

- Full cost of any asset used in a process of manufacture and brought into use on or after 1 April 2001
  - All other assets brought into use after 1 March 2005 can be written off on a 50:30:20 basis (no apportionment)
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## FARMING TAX

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The First schedule of the Income Tax Act regulates farming taxes. The most important sections are :

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### VALUATION OF LIVESTOCK AND PRODUCE

Only livestock and produce need to be brought into account, not fertiliser etc. Livestock can be valued at standard values or the farmer may elect own values which may not differ more than 20% of standard values (once a value has been chosen, it must be used consistently).

Purchases of livestock cannot create a loss because of using standard values. (ringfencing) This gross loss must be carried forward to the next year. The values as per government gazette 5309 of 8 Oct 1976:

Cattle:	Bull R 50, Ox R40, Cow R40
Tollies and Heifers:	1 - 2 years old R14, 2 - 3 years old R 30
Calves	R4
Sheep	Wethers, Rams and Ewes R6, weaned lambs R2
Goats	Weaned Kids R2, Fully grown R 4
Pigs	Under 6 months (weaned) R6, over 6 months R12
Poultry	over 9 months R1
Horses	Stallions over 4 years R40, Mares over 4 years and Geldings over 3 years R30, Colts and fillies 3 years R10, Colts and fillies 2 years R8, Colts and fillies 1 year R 6, Foals under 1 year R2
Donkeys	Jacks and Jennies over 3 years R4, Jacks and Jennies under 3 years R 2
Mules	4 years and over R30, 3 years R20, 2 years R14, 1 year R6
Ostriches	fully grown R6
Chinchillas	all ages R1

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### CAPITAL DEVELOPMENT EXPENDITURE

Expenditure not restricted to taxable income from farming:

- Eradication of noxious plants and prevention of soil erosion
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## Expenditure restricted to taxable income from farming

- Dipping tanks
  - Dams irrigation schemes, boreholes and pumping plants
  - Fences
  - Additions, erection of, extensions and improvements to farm buildings (including farm schools and domestic buildings of employees, not related to the farmer or shareholders, but limited to a maximum of R6000 per employee and recouped if a non-employee takes occupation)
  - Costs of establishing the area for and the planting of trees, shrubs and perennial plants
  - Carrying of electric power from main power lines to farm machinery and equipment
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## **SPECIAL DEPRECIATION ALLOWANCE:**

Machinery, implements, utensils and articles for farming purposes are written off over three years on a 50:30:20 basis. This does not apply to motor vehicles used to convey passengers, caravans, aircraft (excluding crop-spraying aircraft) or office furniture and equipment.

## **Rating formula**

Because a farmer's income fluctuates from year to year, he may elect to be taxed in accordance with a rating formula. The farmer is taxed on the average taxable income in the current and preceding four years (losses are taken into account). After election he is bound to the same rating in future and he is not entitled to make use of provisions relating to government livestock reduction schemes, rating formula for plantation farmers and provisions relating to sugar cane farmers. Special arrangements applicable in the event of the first year of farming, being either lower than R5000, R5000 or 2/3rds if income is above R7500.

## **Other**

Special provisions exist for forced sales in the event of drought, disease, plague or fire, special drought relief schemes, plantation farming and sugar cane farming.



# LEARNERSHIP ALLOWANCES

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## Existing legislation

Learnership allowances are claimed in addition to the normal employee costs in order to act as an incentive for employers to enter into contracts with employees as a means to develop skills and create jobs. This is done by way of a commencement and completion allowance.

The calculation of the allowances that may be claimed is based on the lesser of:

- R 20 000 for previously employed learners
- R 30 000 for newly employed learners
- and 70% of the remuneration of the employee.

In the completion year, the employer is entitled to claim successive commencement allowances in respect of each subsequent year. The completion allowance is calculated by using a fairly complex formula based on the number of years of the apprenticeship.

The commencement allowance for existing disabled employees is either 150% of the employee's annual salary (up to a maximum of R 40 000), or if the employee is new, 175% of the annual salary (up to a maximum of R 50 000). The completion allowance for both new and existing disabled employees is 175% of the annual salary, up to a maximum of R 50 000.

## Proposed legislation

In order to simplify the system relating to the deduction of learnership allowances, National Treasury has issued new draft legislation. It is proposed that a commencement and completion allowance of R 30 000 be introduced, without any reference to the learner's remuneration. The deduction claimable for disabled learners will be set at R 50 000 for both commencement and completion allowances. Commencement allowances are claimed pro rata where terminated before 12 months.

Where a learnership is terminated before a period of 12 full months the initial employer will be entitled to a pro rata portion of the commencement allowance, regardless of the reason for the termination of the learnership. The completion allowance for a multiyear learnership will be based on the number of years duration of the apprenticeship x R 30 000.

## CAPITAL GAINS TAX

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CGT is payable on the **disposal** of **assets** that take place on or after valuation date, i.e. 1 October 2001; in the case of South African residents, the tax will apply to disposals of all assets (including overseas assets); in the case of **non-residents**, the following assets will be subject to CGT:

- immovable property, or any right or interest in a property (this includes a direct or indirect interest of at least 20% held alone or together with any connected person in the equity share capital of a company, where at least 80% of the value of the net assets of the company is, at the time of the disposal, attributable to immovable property in SA); and
- any asset of a permanent establishment through which a trade carried on in SA;

a capital gain or loss is determined by calculating the difference between the **proceeds** i.e. the amount accruing to the seller, and the base cost of the disposed asset;

**base cost** relates to the costs directly incurred in acquiring or improving the asset.

## CALCULATION OF CGT

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A capital gain or loss is calculated separately in respect of each asset disposed; once determined, gains or losses are combined for that year of assessment; an annual exclusion of **R17 500** is applicable, in respect of natural persons only, to the sum of all gains and losses (**R120 000** in the year of death of the person); the resulting capital gain or loss (if not specifically excluded, disregarded or deferred) is aggregated with all other gains or losses in the current tax year, and if it is;

- an assessed capital loss, it is carried forward to the following year, or
- a net capital gain, it is multiplied by the inclusion rate (see table on pg 40).

this taxable capital gain is included in taxable income and taxed at the normal income tax rates applicable.

## VALUE ADDED TAX (VAT)

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VAT was introduced on 30 September 1991 at 10% and increased to 14% on 7 April 1993. The VAT system comprises three types of supply:

- standard-rated supplies - supplies of goods and services subject to the VAT rate in force at the time of supply
  - exempt supplies - supplies of certain services not subject to VAT. Vendors making exempt supplies are not entitled to input credits
  - zero-rated supplies - supplies of certain goods or services subject to VAT at zero percent.
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### KEY FEATURES

- With effect from 1 March 2009 enterprises with a turnover of less than R1 000 000 (previously R300 000) in any period of 12 months are not obliged to register for VAT;
- enterprises with a turnover of less than R50 000 in any period of 12 months are not permitted to register for VAT;
- VAT returns are generally submitted on a 2 monthly basis unless turnover in any period of 12 months exceeds R30 million, in which case returns are submitted monthly;
- farmers may submit VAT returns on a 6 monthly basis and property letting companies may, subject to certain requirements, submit annual VAT returns;
- with effect from 1 March 2009 businesses with turnover of less than R1,5 million (previously R1,2 million) may apply to submit returns quarterly, i.e., once every 3 months;
- a vendor is legally obliged to notify SARS as soon as annual turnover exceeds or is expected to exceed R30 million;
- vendors may reclaim the VAT element of all expenditure except on:
  - entertainment, except qualifying subsistence;
  - passenger vehicles (including hiring); and
  - club subscriptions.
- input tax credits may not be claimed on expenditure relating to exempt supplies;
- input tax credits may only be claimed upon receipt of a valid tax invoice;
- from 1 March 2005, the name, address and VAT registration number of the recipient must appear on tax invoices where the VAT inclusive total exceeds R3 000;

# DONATIONS

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Donations Tax is payable by any individual living in the Republic of South Africa, or any South African company or one managed or controlled in the Republic, on the value of any gratuitous disposal of property including the disposal of property for inadequate consideration and the renunciation of rights.

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## PRINCIPAL EXEMPTIONS:

1. Donations between spouses.
2. Donations to charitable, ecclesiastical and educational institutions, and certain public bodies in the Republic of South Africa limited to certain thresholds.
3. Casual donations up to R10 000 per year by donors other than natural persons.
4. Donations by natural persons not exceeding R100 000 per year.
5. The donation of assets situated outside the Republic, subject to certain conditions:
  - Donations by companies not considered to be public companies up to R10 000 per annum
  - Donations where the donee will not benefit until the death of the donor
  - Donations made by companies which are recognised as public companies for tax purposes
  - Donations cancelled within six months of the effective date
  - Property disposed of under and in pursuance of any trust
  - Donations between companies forming part of the same group of companies

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## RATES:

Donations tax is payable within 3 months after the donation at a flat rate of 20%

## **CAPITAL INCENTIVE ALLOWANCES**

<b>ASSET TYPE</b>	<b>CONDITIONS FOR ANNUAL ALLOWANCES</b>	<b>ANNUAL ALLOWANCES</b>
INDUSTRIAL BUILDINGS	Cost of erection of buildings or improvements, provided building is used wholly or mainly for carrying on a process of manufacture or similar process	5% WEF 1/7/96 — 10%
COMMERCIAL & RESIDENTIAL BUILDINGS IN DESIGNATED URBAN AREAS	Refurbishment of existing building Construction of new building	20% 20% in 1st year 5% in each of 16 subsequent years
HOTEL BUILDINGS	Cost of portion of erection or improvements, provided registered as a hotel Refurbishments which commenced on or after 17 March 1993	5% 20%
RESIDENTIAL BUILDINGS	Building projects erected on or after 1 April 1982 consisting of at least five units of more than one room intended for letting, or occupation by <i>bona fide</i> full-time employees	2% of cost and an initial allowance of 10% of cost
AIRCRAFT	Must be used for purposes of trade	20%
SHIPS	Must be used for purposes of trade	20%
PLANT & MACHINERY	New or unused manufacturing assets acquired on or after 1 March 2002 will be subject to wear and tear allowances over four years	40% in 1st year 20% in each of the 3 subsequent years
PLANT & MACHINERY (SMALL BUSINESS CORPORATIONS ONLY)	New and unused plant or machinery brought into use on or after 1 April 2001 and used by the taxpayer directly in a process of manufacture	100% of cost

# RESIDENCE BASED TAX

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With effect from 1 January 2001, all income earned by a South African resident became taxable in South Africa.

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## DEFINITION OF RESIDENT

### Natural Person

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- any natural person who is ordinarily resident in South Africa; or
- any natural person who is not ordinarily resident in South Africa but who:
  - is physically present in South Africa for a period exceeding 91 days in aggregate during the current year of assessment and for a period exceeding 91 days in aggregate during each of the prior 5 years of assessment; and was physically present in South Africa for a period exceeding 915 days in aggregate during the previous 5 years of assessments.
  - Where a person has been outside of South Africa for a continuous period of at least 330 full days after he ceases to be physically present in South Africa, he will be deemed to not have been resident in South Africa from the day that he ceased to be physically present in the country.
  - South African resident employees who render services for any employer outside South Africa for a period which in aggregate exceeds 183 full days commencing on or ending during a period of assessment, and for a continuous period exceeding 60 full days during such 183 day period, will not be liable for income tax on their remuneration for the period that they are outside South Africa.

### Companies

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A company will be considered to be resident in South Africa for tax purposes if it is incorporated, established, formed or has its place of effective management in South Africa.

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## **CONTROLLED FOREIGN COMPANIES (CFC)**

A Controlled Foreign Company (CFC) means any foreign company where 50% or more of the total participation rights in that foreign company are held or more than 50% of the voting rights in that foreign company are directly or indirectly exercisable by one or more residents. South African residents must impute all income of a CFC in the same ratio as the participation rights of the resident in such a CFC, subject to a number of exclusions. Net income of the CFC is defined as the CFC's taxable income determined as if the CFC is a South African taxpayer.

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## **FOREIGN DIVIDENDS**

With effect from 1 June 2004 foreign dividends received from a non-resident company, including deemed dividends, are taxable, unless:

- A qualifying interest is held in the equity of the distributing company
- Residents hold more than 10% of the distributing companies equity share capital and that such company is a listed entity
- The distributing company is a controlled foreign company (CFC) and the dividends do not exceed amounts deemed to be the resident shareholder's income under the CFC rules
- The profits from which the dividends were declared are taxable in South Africa or arose from dividends declared by a resident company.

With effect from from 8 November 2005 the qualifying interest is 20%.

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## **FOREIGN TAX CREDITS**

Residents are allowed to deduct all foreign taxes paid in respect of foreign income from the tax payable in South Africa on the total amount of such foreign income. Any excess credits may be carried forward.

## **EXCHANGE CONTROL**

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### **FOREIGN CAPITAL INVESTMENTS**

Resident individuals who are over 18 and tax payers in good standing are permitted to invest abroad. The current limit is R4 000 000 (previously R2 000 000) per person.

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### **EMIGRATION LIMITS**

#### **Foreign Capital Allowance**

Single Person - R4 000 000 (previously R2 000 000)

Family Unit - R8 000 000 (previously R4 000 000)

Note that these capital allowances were reduced by the Foreign Capital Investments

**Household & personal effects, Motor Vehicles, Stamps, coins & Kruger Rands**  
R 1 000 000

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### **SINGLE DISCRETIONARY ALLOWANCE**

Residents (natural persons), who are over the age of 18 years may be permitted to avail of a single allowance within an overall limit of R750 000 (previously R500 000) per individual per calendar year, without the requirement to obtain a Tax Clearance Certificate, to cover the following discretionary allowances:

- monetary gifts and loans
- donations to missionaries
- maintenance transfers
- travel allowance (children under the age of eighteen will be entitled to an annual allowance of R160 000)

This discretionary allowance is in addition to the existing R4 000 000 (previously R2 000 000 ) individual foreign capital allowance.

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### **STUDY ALLOWANCES**

The direct costs of study (ie tuition and academic fees) may be transferred directly to the institution concerned, over and above the single discretionary allowance. Should a spouse accompany a student, a discretionary allowance may be accorded the spouse.

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## **NON-RESIDENTS**

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Non-residents may invest in the Republic, provided that suitable documentary evidence is received in order to ensure that such transactions are concluded at arms length, at fair market-related prices, and are financed in an approved manner subject to exchange control approval.

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## **CAPITAL TRANSACTIONS**

Proceeds from the sale of assets in South Africa, owned by non-residents (excluding emigrants), may be remitted abroad.

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## **DIVIDENDS**

Dividends declared by quoted companies out of income earned are remittable to non-resident shareholders. An emigrant shareholder will be entitled to dividends declared out of income earned after the date of emigration. Dividends declared by non-quoted companies are remittable in proportion to percentage shareholdings, subject to certain restrictions. Dividends in favour of emigrant shareholders may be remitted subject to additional requirements.

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## **FEES**

Authorised dealers may transfer directors fees to nonresident directors permanently domiciled outside South Africa, provided the application is accompanied by a copy of the resolution of the board of the remitting company, confirming the amount to be paid to the beneficiary. Requests for payment of management and administration fees are considered on merit.

## ESTATE DUTY

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The general rule is that if the taxpayer is ordinarily resident in the Republic at the time of death, all of his assets, wherever they are situated, will be included in the gross value of his estate for the determination of duty payable thereon.

### The dutiable amount is arrived at as follows:

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◆ Value of all property at date of death (including limited interests such as usufruct)	R	.....
◆ Deemed property	R	.....
◆ Gross value of property	R	.....
◆ Deductions	R	.....
◆ Net Value of Estate	R	.....
◆ Abatement	R	...(3 500 000)...
◆ Dutiable Estate (A)	R	.....
◆ Estate Duty 20% of A	R	.....

Deemed property includes: Insurance Policies on the life of the deceased as well as property that the deceased was competent to dispose of immediately prior to his death.

### The most important deductions are:

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- Debts due at date of death
- Bequests to various charities
- Bequests to a surviving spouse

The Act allows for the R3.5m deduction from estate duty to rollover from the deceased to a surviving spouse so that the surviving spouse can use a R7m deduction amount on death. The proposed amendment is effective for any estate of a person who dies on or after January 1 2010. It appears that the portability of the deduction will only apply when the entire value of the estate of the first-deceased spouse is left to the surviving spouse.

There is relief from Estate Duty in the case of the same property being included in the estates of taxpayers dying within 10 years of each other. The deduction is calculated on a sliding scale varying from 100% where the taxpayers die within 2 years of each other and 20% where the deaths are within 8 years of each other.

# **TRANSFER DUTY ON IMMOVABLE PROPERTY**

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## **TRANSFER DUTY IS:**

- is calculated on the value of the immovable property (purchase price or market value whichever is the highest);
- will be exempted if the purchase price / value is under R500 000 or when the seller is a registered VAT vendor;
- where a registered vendor purchases property from a non-vendor, the VAT notional input tax credit is limited to the quantum of transfer duty payable. A notional input tax credit is only claimable to the extent to which the purchase price has been paid,
- certain exemptions apply to unbundling of corporate structures;
- the acquisition of a contingent right in a trust that holds a residential property or the shares in a company or the member's interest in a close corporation, which owns residential property, comprising more than 50% of its CGT assets, is subject to transfer duty at the applicable rate;
- the purchaser of the shares or members interest will be liable to pay transfer duty
- liabilities of the entity to be disregarded when calculating the fair value of the contingent right in the trust, the shares in the company or the member's interest in the close corporation;
- any person who does or omits to do anything with the intent to evade transfer duty may be charged with additional duty up to twice the amount of duty payable. Such person is guilty of an offence and liable on conviction to a fine or imprisonment for a period not exceeding 60 months;

## **Transfer duty is calculated as follows:**

### **Natural persons:**

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R0 - R500 000	0%
R500 001 - R1 000 000	5% on the value above R500 000
R1 000 001 and above	R25 000 plus 8% on the value over R1 000 000

### **Companies, Close Corporations & Trusts:**

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Transfer duty rate for these legal entities is a flat rate of 8%

# **TRANSFER OF A PRIMARY RESIDENCE OUT OF A COMPANY, CC OR TRUST**

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## **CONDITIONS TO BE SATISFIED ARE:**

The transfer must take place on or after 11 February 2009 but not later than 31 December 2011.

The residence must be a primary residence, which is defined as a residence

- in which a natural person or a special trust holds an interest; and
- which that person or a beneficiary of that trust or spouse of that person or beneficiary
- ordinarily resided or resided in his or her main residence; and
- uses or used mainly for domestic purposes

### **This relief is still not available if:**

- The residential property is held in a company, and the shareholder is a family trust;
- If the residential property is held in an ordinary trust and the acquisition of such property was financed by the trust obtaining a mortgage bond in its name, and services the bond out of its own means.

### **The relief is available if:**

- A natural person alone or together with his/her spouse ordinarily resided in that residence and used it mainly for domestic purposes as his or her ordinary residence
- If held in a CC, company, ordinary trust, the natural person alone or together with his or her spouse, must directly hold all the equity share capital in that entity
- Where held in trust, the natural person (to whom the property is being transferred) must have disposed of that residence to the trust by way of donation, settlement or other disposition OR made all the funds available that enabled the trust to acquire and maintain the residence (unless that person is married in community of property, then the property may be transferred to both spouses jointly)
- the total portion of land to which the exemption will apply may not exceed 2 hectares – the portion of land beyond 2 hectares will not qualify and be subject to transfer duty and CGT.

Please note that the above information is not exhaustive and serves as a brief overview of the current legislation.

# WEAR AND TEAR ALLOWANCES

## WRITE-OFF PERIODS ACCEPTABLE TO INLAND REVENUE

ITEM	Period of write-off (no. of years)	ITEM	Period of write-off (no. of years)
Adding machines	6	Fertiliser spreaders	6
Air-conditioners: window type	6	Fire extinguishers (loose units)	5
Aircraft: light pass/ commercial/helicopter	4	Fishing Vessels	12
Arc welding equipment	6	Fitted carpets	6
Balers	6	Fork-lift trucks	4
Battery chargers	5	Front-end loaders	4
Bicycles	4	Furniture and fittings	6
Bulldozers	3	Gantry cranes	6
Burglar Alarms (removable)	10	Garden irrigation equipment (movable)	5
Calculators	3	Gas cutting equipment	6
Cash registers	5	Gas heaters and cookers	6
Cellular telephone	3	Gear shapers	6
Cheque writing machines	6	Graders	4
Cinema equipment	5	Grinding machines	6
Cold drink dispenser	6	Guillotines	6
Compressors	4	Gymnasium equipment	10
Computer (main frame)	5	Hairdressers equipment	5
Computer (personal computer)	3	Harvesters	6
Computer software (main frames):	2	Heat dryers	6
Purchased	3	Heating equipment	6
Self-developed	1	Hot water systems	5
Computer software (personal computer)	2	Incubators	6
Concrete transit mixers	3	Ironing and pressing equipment	6
Containers	5	Kitchen equipment	6
Crop sprayers	6	Knitting machines	6
Curtains	5	Laboratory research equipment	5
Debarking equipment	4	Lathes	6
Delivery vehicles	4	Laundromat equipment	5
Demountable partitions	6	Law reports	5
Dental and doctors equipment	5	Lift installations (goods)	12
Dictaphones	3	Lift installation (passengers)	12
Drilling equipment (water)	5	Medical theatre equipment	6
Drills	6	Milling machines	6
Electric saws	6	Mobile caravans	5
Electrostatic copiers	6	Mobile cranes	4
Engraving equipment	5	Mobile refrigeration units	4
Excavators	4	Motorcycles	4
Fax machines	3		

## WEAR AND TEAR ALLOWANCES

WRITE-OFF PERIODS ACCEPTABLE TO INLAND REVENUE			
ITEM	Period of write-off (no. of years)	ITEM	Period of write-off (no. of years)
Motorised chain saws	4	Special patterns and tooling	2
Motorised concrete mixers	3	Spin dryers	6
Motor mowers	5	Spot welding equipment	6
Musical instruments	5	Staff training equipment	5
Neon signs and advertising boards	10	Stainless steel containers	5
Ovens and heating devices	6	Surveyors: Instruments	10
Oven for heating food	6	Field equipment	5
Oxygen concentration	3	Tape-recorders	5
Paintings (valuable)	25	Telephone equipment	5
Pallets	4	Television and advertising films	4
Passenger cars	5	TV sets, video machines and decoders	6
Patterns, tooling and dies	3	Textbooks	3
Perforating equipment	6	Tractors	4
Photocopying equipment	5	Trailers	5
Photographic equipment	6	Traxcavators	4
Planers	6	Trucks (heavy duty)	3
Pleasure craft etc.	12	Trucks (other)	4
Portable concrete mixers	4	Truck mounted cranes	4
Ploughs	6	Typewriters	6
Portable generators	5	Vending machines (inc. video game)	6
Portable safes	25	Video cassettes	2
Power tools (hand operated)	5	Washing machines	5
Public address systems	5	Water distillation and purification plant	12
Race horses	4	Water tankers	4
Radio communication equipment	5	Water tanks	6
Refrigerated milk tank	4	Weighbridges (movable parts)	10
Refrigerated equipment	6	Workshop equipment	5
Refrigerators	6	X-ray equipment	5
Runway lights	5		
Sanders	6		
Security systems	6		
Seed separators	6		
Sewing machines	6		
Shop fittings	6		
Solar energy units	5		

**Note that the aforementioned write off periods are being replaced by the wear & tear allowances as published in SARS interpretation note no 47 (issue2)**

**\* Please note: Items of a value of less than R5000 may be written off in full in year one.**

## **RETENTION OF RECORDS**

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It is recommended that all documentation pertaining to potential Capital Gains tax transactions be retained indefinitely.

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### **ACCOUNTING RECORDS**

#### **Books of prime entry:**

Cash Books, Creditor's Ledgers, Debtor's Ledgers, Fixed Asset Registers, General Ledgers Journals, Petty Cash Books, Purchase Journals, Sales Journals, Subsidiary Journals and Ledgers — as well as supporting schedules to such Books of Account, etc —

- Original ..... 15
- Microfiche ..... 5

Vouchers, Working Papers, Bank Statements, Costing Records, Creditor's Invoices and Statements, Debtor's Invoices and Statements, Goods Received Notes, Journal Vouchers, Payrolls, Purchase Orders and Invoices, Railage Documents, Salary and Wages Registers, Sales Tax Records, Tax Returns and Assessments, etc ..... 5

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#### **EMPLOYEE RECORDS:**

Expense Accounts, Payrolls, Employee Tax Returns, etc ..... 5  
Accident Records, Apprentice Records, Industrial Training Records, Staff Records, etc ..... 3

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#### **STATUTORY & SHARE REGISTRATION RECORDS:**

Annual Returns, Certificates of change of name, Incorporation, to commence business, Founding Statements Memorandum and Articles of Association, Minute Books, Notices of Meetings, etc ..... Indefinitely  
Branch Registers, Registers of: Directors Attendance, Debenture Holders, Directors and Officers, Directors' Interests, Members and pledges and Bonds, etc.

- Cancelled share transfer forms ..... 12

## INTEREST RATES

EFFECTIVE DATE	RATE
<b>Late or underpayments of Tax</b>	
1 March 2008	14,00%
1 September 2008	15,00%
1 May 2009	13.50%
1 July 2009	12.50%
1 August 2009	11.50%
1 September 2009	10.50%
<b>Fringe benefits – official rate of interest</b>	
1 March 2008	12,00%
1 September 2008	13,00%
1 March 2009	11.50%
1 June 2009	9.50%
1 July 2009	8.50%
1 September 2009	8.00%
<b>Overpayments of tax</b>	
1 March 2008	10,00%
1 September 2008	11,00%
1 May 2009	9.50%
1 July 2009	8.50%
1 August 2009	7.50%
1 September 2009	6.50%
<b>Prime Overdraft Rates</b>	
11 April 2008	15.00%
13 June 2008	15.50%
12 December 2008	15.00%
6 February 2009	14.00%
25 March 2009	13.00%
4 May 2009	12.00%
29 May 2009	11.00%
14 August 2009	10.50%



## COMPARATIVE TAX RATES

RATES OF TAX	2009	2010	2011
<b>NATURAL PERSONS</b>			
Maximum marginal rate	40%	40%	40%
• Reached at a taxable income	490 000	525 000	552 000
Minimum rate	18%	18%	18%
• Up to taxable income of	122 000	132 000	140 000
• CGT inclusion rate	25 %	25 %	25%
<b>COMPANIES &amp; CC's</b>			
• Normal tax rate	28%	28%	28%
• STC rate	10%	10%	10%
• CGT Inclusion rate	50%	50%	50%
<b>TRUSTS</b> (other than special trusts)			
• Flat rate	40%	40%	40%
• CGT Inclusion rate	50%	50%	50%
<b>SUNDRY</b>			
• Donations Tax	20%	20%	20%
• Estate Duty	20%	20%	20%