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**AFRICA**

# Tax Guide 2021/22

**South Africa**

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# Individuals and Trusts – Tax Rates

1 March 2021 to 28 February 2022

## Individual taxpayers and special trusts

| Taxable Income      | Rate of tax                                     |
|---------------------|---|
| 1 – 216 200         | 18% of taxable income                           |
| 216 201 – 337 800   | 38 916 + 26% of taxable income above 216 200    |
| 337 801 – 467 500   | 70 532 + 31% of taxable income above 337 800    |
| 467 501 – 613 600   | 110 739 + 36% of taxable income above 467 500   |
| 613 601 – 782 200   | 163 335 + 39% of taxable income above 613 600   |
| 782 201 – 1 656 600 | 229 089 + 41% of taxable income above 782 200   |
| 1 656 601 and above | 587 593 + 45% of taxable income above 1 656 600 |

Trusts other than special trusts: 45% of taxable income

## Tax rebates and deductions

| Rebates                                    | 2021    | 2022    |
|--|---------|---------|
| Primary rebates: individuals               | R14 958 | R15 714 |
| Secondary rebate: individuals 65 and older | R8 199  | R8 613  |
| Tertiary rebate: individuals 75 and older  | R2 736  | R2 871  |

## Tax rebates and deductions

| Tax threshold            | 2021     | 2022     |
|--------------------------|----------|----------|
| Under 65 years of age    | R83 100  | R87 300  |
| 65 to 75 years of age    | R128 650 | R135 150 |
| 75 years of age and over | R143 850 | R151 100 |

## Medical and disability expenses

Monthly medical tax credits in line with inflation from 1 March 2021 as follows:

| Tax threshold            | 2021 | 2022 |
|--------------------------|------|------|
| Member                   | R319 | R332 |
| First beneficiary        | R319 | R332 |
| Additional beneficiaries | R215 | R224 |

## Transfer Duty

### Rates for transfer duty

| Property value         | Rate of tax   |
|------------------------|---|
| 1 – 1 000 000          | 0%  |
| 1 000 001 – 1 375 000  | 3% of the value above R1 000 000                    |
| 1 375 001 – 1 925 000  | R11 250 + 6% of the value above R 1 375 000         |
| 1 925 001 – 2 475 000  | R44 250 + 8% of the value above R 1 925 000         |
| 2 475 001 – 11 000 000 | R88 250 + 11% of the value above R2 475 000         |
| 11 000 001 and above   | R1 026 000 + 13% of the value exceeding R11 000 000 |

## Companies – Income Tax Rates

Local companies and branches of foreign companies are subject to income tax at a rate of 28%.

### Micro Business

| Turnover          | Rate of tax                                  |
|-------------------|--|
| 1 – 335 000       | 0% of taxable turnover                       |
| 335 001 – 500 000 | 1% of taxable turnover above 335 000         |
| 500 001 – 750 000 | 1 650 + 2% of taxable turnover above 500 000 |
| 750 001 and above | 6 650 + 3% of taxable turnover above 750 000 |

### Small Business Corporation

| Turnover          | Rate of tax                                  |
|-------------------|--|
| 1 – 87 300        | 0% of taxable turnover                       |
| 87 301 – 365 000  | 7% of taxable income above 87 300            |
| 365 001 – 550 000 | 19 439 + 21% of taxable income above 365 000 |
| 550 001 and above | 58 289 + 28% of the amount above 550 000     |

# Dividends

## Dividends tax

A South African tax resident company has an obligation to withhold and pay to SARS 20% of the value of any dividend, subject to certain exemptions.

- Ordinarily if the shareholder to whom the dividend is payable is a South Africa tax resident company, the company declaring the dividend is not obliged to withhold 20% of the value of the dividend payable. Similarly, if the shareholder is a retirement fund, public benefit organisation or other exempt person, the company declaring the dividend is not obliged to withhold the 20%.
- Please note that non-South African tax resident companies that have shares listed on the JSE will be obliged to withhold 20% of the dividend declared, subject to certain exemptions.
- In limited circumstances non-resident beneficial owners of dividends may enjoy relief in terms of a double taxation treaty.

# Retirement Fund Lump Sum Benefits

## Taxation of withdrawal benefits

| Withdrawal Amount | Rate of tax                                   |
|-------------------|---|
| 1 – 25 000        | 0% of taxable turnover                        |
| 25 001 – 660 000  | 18% of taxable income above 25 000            |
| 660 001 – 990 000 | 114 300 + 27% of taxable income above 660 000 |
| 990 001 and above | 203 400 + 36% of taxable income above 990 000 |

## Taxation of retirement benefit lump sums on retirement

| Lump Sum Amount     | Rate of tax                                     |
|---------------------|---|
| 1 – 500 000         | 0% of taxable turnover                          |
| 500 001 - 700 000   | 18% of taxable income above 500 000             |
| 700 001 – 1 050 000 | 36 000 + 27% of taxable income above 700 000    |
| 1 050 001 and above | 130 500 + 36% of taxable income above 1 050 000 |

## Interest Exemptions

| Exemptions in respect of taxable interest<br>(from a South African source) earned by an individual | 2021    | 2022    |
|--|---------|---------|
| Under 65 years of age  | R23 800 | R23 800 |
| 65 years of age and over   | R34 500 | R34 500 |

## Schedule of Values for Travelling Allowances

Where no records of actual costs are kept, the rates per kilometre that may be used in determining the deduction that is allowable for business travel is determined using the following table:

| Value of vehicle<br>(incl VAT) | Fixed cost<br>(p.a.) | Full cost<br>c/km | Maintenance cost<br>c/km |
|--------------------------------|----------------------|-------------------|--------------------------|
| R0 – R95 000                   | 31 332               | 105.8             | 37.4                     |
| R95 001 – R190 000             | 55 894               | 118.1             | 46.8                     |
| R190 001 – R285 000            | 80 539               | 128.3             | 51.6                     |
| R285 001 – R380 000            | 102 211              | 138.0             | 56.4                     |
| R380 001 – R475 000            | 123 955              | 147.7             | 66.2                     |
| R475 001 – R570 000            | 146 753              | 169.4             | 77.8                     |
| R570 001 – R665 000            | 169 552              | 175.1             | 96.6                     |
| R665 001– and above            | 169 552              | 175.1             | 96.6                     |

### Note

- For the purposes of calculating PAYE, 80% of the travelling allowance must be included in the employee's remuneration. The percentage is reduced to 20% if the employer is satisfied that no less than 80% of the use of the vehicle for the year of assessment will be for business purposes.
- If the employee has not borne the full cost of fuel used in the vehicle, no fuel cost may be claimed. If the employee has not borne the full cost of maintaining the vehicle (for example, if the vehicle is the subject of a maintenance plan), no maintenance cost may be claimed.
- The fixed cost must be reduced on a pro-rata basis if the vehicle is used for business purposes for only a portion of the year.
- The costs that may be claimed against a travelling allowance are determined in reference to the actual distance travelled during the tax year and the distance travelled for business purposes substantiated by a log book.

### Alternatively

- No tax is payable on an allowance paid by an employer to an employee, up to the rate of 398 cents per kilometre, regardless of the value of the vehicle.
- If an employee received other compensation in the form of a reimbursement or allowance in respect of the vehicle, this alternative will not be available.

## **Fringe Benefits Tax – Employer-owned Vehicles**

### **The right of use of an employer-owned vehicle by an employee:**

- The value of the monthly fringe benefit (the taxable value) is normally calculated at 3.5% of the vehicle's determined value.
- 80% of the fringe benefit must be included in the taxpayer's remuneration for the purposes of calculating PAYE. This percentage is reduced to 20% if the employer is satisfied that at least 80% of the use of the vehicle for the tax year will be for business purposes.
- On assessment, the fringe benefit is reduced by the ratio of the distance travelled for business purposes substantiated by a log book divided by the actual distance travelled during the tax year.
- On assessment, further relief is available for the cost of license, insurance, maintenance and fuel for private travel if the full cost thereof has been borne by the taxpayer and if the distance travelled for private purposes is substantiated by a log book.

## **Estate Duty**

Estate duty is payable by South African tax residents and is levied on South African property owned by non-residents less allowable deductions.

- Abatement of R3.5 million.
- Estates up to a value of R30 million will be taxed at a flat rate of 20%.
- Any amount in excess of R30 million will be taxed at a flat rate of 25%.

## Donations

Donations tax is applicable to donations made by any South African tax resident.

Individuals can donate R100 000 per annum and juristic persons can donate R10 000 per annum as a casual gift without incurring any donations tax liability.

Donations (individually or in aggregate) up to R30 million will attract donations tax at a flat rate of 20% on the value of the property donated.

The amount by which the donation exceeds R30 million will be taxed at a flat rate of 25%.

Donations between spouses are not subject to donations tax. Similarly, donations to certain public benefit organisations and between South African group companies are not subject to donations tax.

## Capital Gains Tax (CGT)

| Taxpayer                       | Maximum effective rate |
|--------------------------------|------------------------|
| Individuals and special trusts | 18%                    |
| Ordinary companies             | 22.4%                  |
| Other trusts                   | 36%                    |

### Tax base

- Residents – disposal of assets anywhere in the world.
- Non-residents – disposal of immovable property situated in South Africa, disposal of shares in certain companies that own immovable property in South Africa, and disposal of the business assets of a permanent establishment in South Africa.
- “Disposal” includes sale, donation, exchange, loss, death and emigration.

### Exclusions

- In the year of death of an individual R300 000.
- Special trusts and individuals are granted R40 000 capital gains or capital loss per annum.
- Most personal-use assets.
- On the disposal of a primary residence, the first R2 million is not subject to CGT.
- Payment from long-term insurance policies.
- Retirement benefits.
- Small business - If an individual, age 55 or older, disposes a small business, the market value of which does not exceed R10 million, the first R1.8 million of the capital gain will not be subject to tax.



## Withholding Taxes

### Royalties

A final tax at a rate of 15% is imposed on the gross amount of royalties from a South African source payable to non-residents.

### Interest

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents.

### Dividend

A final tax at a rate of 20% is imposed on dividends from a South African source payable to non-residents. Non-resident beneficial owners of dividends may benefit from reduced tax rates in limited circumstances.

### Immovable property

A provisional tax is withheld on behalf of non-resident sellers of immovable property in South Africa, to be set off against the normal tax liability of the non-residents. The tax to be withheld from payments to the non-residents is at a rate of 7.5% for a non-resident individual, 10% for a non-resident company, and 15% for a non-resident trust that is selling the immovable property.

### Foreign entertainers and sportspersons

A final tax at a rate of 15% is imposed on gross amounts received from a South African source payable to non-resident entertainers and sportspersons.

## Value-added tax (VAT)

VAT is levied at the standard rate of 15% on the supply of goods and services by registered vendors.

Registration threshold: If the vendor achieves or is likely to achieve taxable supplies in excess of R1 million per annum registration is required.

Voluntary registration may be applied for if a vendor makes taxable supplies exceeding R50 000 per annum.

## Other Taxes

### Skills Development Levy (SDL) and Unemployment Insurance Contributions (UIF)

Contributions to UIF are equal to a 1% of the "remuneration" payable by both the employer and the employee.

SDL is payable by the employer only at a rate of 1% of the "remuneration". Employers with an annual "remuneration" expense of less than R500 000 are exempt from paying SDL.

### Securities transfer tax (STT)

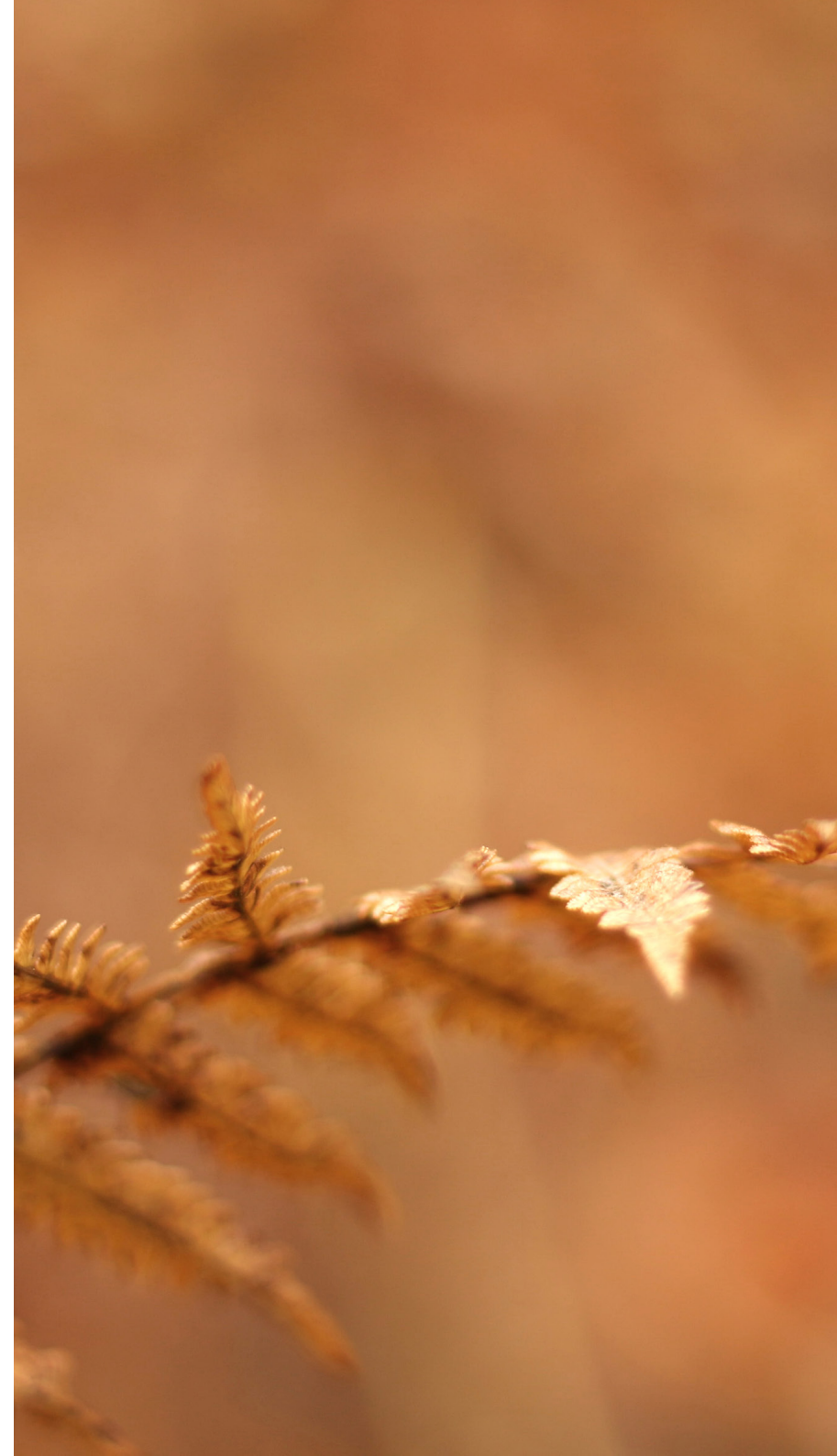
STT is payable at a rate of 0.25% on the transfer (also cancellation or redemption in certain circumstances) of all securities of companies incorporated in South Africa. The amount of STT payable is calculated with reference to the higher of the consideration paid for the securities by the purchaser or the market value thereof as at the date of transfer. It is also payable on the transfer of a member's interest in a close corporation. Several exemptions are applicable.

### Fuel and Road Accident Fund levies

The general fuel and Road Accident Fund levies are set to increase by 15c/l and 11c/l, respectively, on diesel and petrol effective from 7 April 2021.

### Sin taxes

The duties on alcoholic beverages and tobacco products will increase by 8%.



## Key Contacts

### Tax and exchange control



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