

BUDGET SPEECH 2019/2020

ALL YOU NEED TO KNOW

Tax tables 2019/2020 (year of assessment ending 29 February 2020)

Income tax: Individuals and special trusts

Taxable income		Rates of tax	
0	- 195 850		18 % of taxable income
195 851	- 305 850	35 253 +	26% of taxable income above 195 850
305 851	- 423 300	63 853 +	31% of taxable income above 305 850
423 301	- 555 600	100 263 +	36% of taxable income above 423 300
555 601	- 708 310	147 891 +	39% of taxable income above 555 600
708 311	- 1 500 000	207 448 +	41% of taxable income above 708 310
1 500 001 and above		532 041 +	45% of taxable income above 1 500 000

Rebates

Primary rebate	R14 220
Secondary rebate (persons 65 and older)	R7 794
Tertiary rebate (persons 75 and older)	R2 601

Tax thresholds

The tax thresholds at which liability for normal tax commences, are:	
Persons under 65	R79 000
Persons of 65 to below 75	R122 300
Age 75 and older	R136 750

Medical scheme fees tax credits

Main member	R310
First dependant	R310
Each additional dependant	R209

Subsistence allowances and advances

Where the recipient is obliged to spend at least one night away from his/her usual place of residence in South Africa, an amount equal to the following is deemed to have been expended for each day or part of a day for -

- meals and incidental costs, R435;
- incidental costs only, R134.

The rates for foreign travel (travel outside South Africa) will be gazetted soon and can be found on www.sars.gov.za.

Table for calculation of rate per km/travel allowance

Value of the vehicle (including VAT)	Fixed cost	Fuel cost	Maintenance cost
(R)	(R p.a)	(c/km)	(c/km)
0 - 85 000	28 352	95.7	34.4
85 001 - 170 000	50 631	106.8	43.1
170 001 - 255 000	72 983	116.0	47.5
255 001 - 340 000	92 683	124.8	51.9
340 001 - 425 000	112 443	133.5	60.9
425 001 - 510 000	133 147	153.2	71.6
510 001 - 595 000	153 850	158.4	88.9
exceeding 595 000	153 850	158.4	88.9

Prescribed rate for reimbursive kilometres

The SARS prescribed rate per kilometer is R3.61 (remains unchanged).

Personal service provider

A personal service provider is taxed at a rate of:

- 28% for a personal service provider company (remains unchanged) and
- 45% for a personal service provider trust (remains unchanged).

Proposed change to the Employment Tax Incentive

The Minister of Finance has proposed the following increases to the employment tax incentive remuneration bands:

- the second band from R4 000 to R4 500, and
- the third band from R6 000 to R6 500.

This amendment has not been enacted yet.

SAGE KNOWS: Click [here](#) for everything you will need regarding this budget speech.

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Introduction

Amendments according to the Taxation Laws Amendment Act 2018, the Tax Administration Laws Amendment Act 2018, and the SARS PAYE Business Requirements Specification (BRS) V18.0.0. All changes are effective March 2019, except where mentioned otherwise.

Explanation of changes affecting the system

Medical scheme fees tax credits

There are instances where medical scheme contributions are paid by more than one taxpayer on behalf of a person that is a dependant of those taxpayers, for example, children jointly contributing towards their mother's medical scheme contributions under a registered medical scheme (even though the children are not the principal/main members of that medical scheme). Although medical scheme contributions are being shared, there was an unintended anomaly in the tax legislation that allowed each of the taxpayers (e.g. the children) who shared the medical cost for a dependant (e.g. the mother) to independently claim the full medical tax credits.

Please note that this was applied when the employee filed his/her personal income tax return, i.e. medical scheme fees tax credits and additional medical expenses tax credits claimed for medical scheme contributions (where the taxpayer is not the principal/main member of the medical scheme) in respect of any person that is a dependant of that taxpayer.

From 1 March 2018, in order to rectify this anomaly, amendments were made to section 6A so that where taxpayers (e.g. the children) share medical scheme contributions in respect of their dependants (e.g. the mother), medical tax credits should be allocated/split between the taxpayers who made the medical scheme contributions proportionally to the contribution made by each taxpayer.

For this purpose, 'dependant' means –

- a person's spouse;
- a person's child and the child of his or her spouse;
- any other member of a person's family in respect of whom he or she is liable for family care and support; and
- any other person who is recognised as a dependant of that person in terms of the rules of a medical scheme or fund.

Paragraph 9(6) of the Fourth Schedule gives employers the discretion to decide whether to account for private medical scheme contribution tax credits in their payroll, or not. Therefore, the legislation will allow the employer to apply the above apportionment requirement on the payroll for private medical scheme contributions.

However, according to the Final Response Document on the Taxation Laws Amendment Bill 2018, SARS will provide clarity regarding the administrative requirements with regards to the splitting of the medical scheme fees tax credits.

Even though the legislation provides for employers (at their discretion) to apply the apportionment requirement on the payroll, SARS still has to provide clarification on the administrative requirements i.r.o how to apply the apportionment calculation, therefore, Sage will not be implementing these amendments for now. The employee will still be able to claim these medical scheme fees tax credits on assessment when filing his/her personal income tax return.

This is deemed to have come into operation on 1 March 2018 and applies in respect of years of assessment commencing on or after that date.

Bargaining council employer contributions

Background: In 2017, changes were made to the Taxation Laws Amendment Act 2017 - in order to grant bargaining councils an opportunity to become tax compliant with the provisions of the Act, a certain level of relief was provided for non-compliant bargaining councils in respect of employees' tax that should have been withheld from their members between 1 March 2012 and 28 February 2017. However, going forward, bargaining councils are expected to be fully compliant.

In line with Government's policy to encourage tax compliance, Government had public consultations with various bargaining councils and as a result a general consensus emerged that compliance with tax legislation can be accommodated through the PAYE system by the employer in respect of contributions made for the benefit of the employees (who are members of a bargaining council) to the funds/schemes administered by the bargaining councils.

From 1 March 2019, employer contributions to a scheme or fund administered by the bargaining council for the benefit of the employee will constitute a taxable fringe benefit in the hands of the employee and must be subject to PAYE. These provisions are not applicable to the extent that the contribution is being made to a retirement fund as the taxation of those contributions are already specifically catered for in the Act.

In the event of bulk contributions made by the employer on behalf of employees to the funds/schemes administered by the bargaining council and the employer is unable to attribute specific contributions to specific employees, the taxable fringe benefit is calculated in respect of the total contributions paid by the employer divided by the number of employees on behalf of which the contributions are paid.

Since the employee contribution is made from 'after tax money' and the employer contribution is taxed as a fringe benefit, any payment made by the schemes/funds administered by the bargaining council to the employee is tax free, except to the extent that the pay-out is from a retirement fund.

Tax certificate reporting change: There are two new IRP5 codes to report these contributions:

- 4584 (employer's bargaining council contributions), and
- 3833 (taxable benefit i.r.o. employer's bargaining council contributions paid for the benefit of the employee).

Please note that the fringe benefit value must be included in remuneration for the purpose of UIF, SDL, ETI and remuneration used to calculate the allowable tax deduction limit for contributions towards a retirement fund.

Low/interest free loan to acquire immovable property

Currently, in order to motivate employers to equip their low-income earning employees through home ownership, employer provided immovable property is exempt from tax if the employee's remuneration proxy does not exceed R250 000, the market value of the immovable property does not exceed R450 000, and the employee is not a connected person in relation to the employer.

From March 2019, in line with Government's policy to further encourage the provision of housing for low income-earners, the tax exemption will also apply on a loan granted to the employee in order to acquire immovable residential property.

From March 2019, there will be no fringe benefit on the low/interest free loan, if the loan –

- does not exceed R450 000,
- was assumed for the purpose to acquire immovable property,
- the market value of the immovable property acquired does not exceed R450 000 in relation to the year of assessment during which the loan was granted,
- the remuneration proxy of the employee does not exceed R250 000 in relation to the year in which the loan was granted, and
- the employee is not a connected person in relation to the employer.

Tax certificate reporting change: There is a new exempt fringe benefit code to report this exempt value:

- 3834 (non-taxable loan to purchase immovable residential property)

Employment tax incentive – extension of ETI

The employment tax incentive has been extended for a further 10 years until 29 February 2029 to support youth unemployment.

Explanation of changes not affecting the system

Retirement fund contributions – contribution certificate

Before March 2018, the legislation did not make provision for a fund to change the contribution certificate where the fund made an error in calculating the fund member category factor or if the fund member category factor changed during the year.

From March 2018,

- when an error occurred in calculating the fund member category factor, a corrected contribution certificate must be supplied to the employer and the corrected certificate is effective from the first day of the month following the month during which that corrected certificate was received, and
- where the fund member category factor changes during the year of assessment, the contribution certificate with the new fund member category factor must be supplied to the employer no later than one month after the day on which those changes become effective.

This is deemed to have come into operation on 1 March 2018 and applies in respect of years of assessment commencing on or after that date.

Retirement fund contributions – transfer of actuarial surplus between funds

Background: According to paragraph 2(l) of the Seventh Schedule to the Income Tax Act, employer contributions to a retirement fund (for the benefit of the employee) is a taxable fringe benefit in the hands of the employee. Further, according to paragraph 4 of the Seventh Schedule to the Income Tax Act, any benefit granted to the employee by an associated institution in relation to the employer will be taxable in the hands of the employee and is deemed to have been granted by the employer. Associated institutions as defined in paragraph 1 of the Seventh Schedule to the Income Tax Act includes any fund established solely or mainly for providing benefits for employees or former employees of an employer.

Before March 2017, based on the above-mentioned provisions, any contributions made by an employer owned retirement fund into another employer owned retirement fund for the benefit of the employee created a taxable fringe benefit in the hands of the employee. This tax treatment also applied on transfers of actuarial surpluses between, or within retirement funds of the same employer.

Government is of the view that there should be no additional PAYE consequences for members of the fund if the transfers between, or within retirement funds of the same employer referred to amounts that have already been contributed to a retirement fund.

From 1 March 2017, there is no taxable fringe benefit in the hands of an employee in respect of the transfer of any surplus within, or between retirement funds of the same employer.

This is deemed to have come into operation on 1 March 2017 and applies in respect of years of assessment commencing on or after that date.

Retirement fund contributions – transfers to pension preservation/provident preservation funds after reaching normal retirement age but before retirement date

Before March 2019, the Act only allows transfers from a pension fund/provident fund to a retirement annuity fund after reaching normal retirement age but before retirement date.

From 1 March 2019, the Act will also allow transfers from pension fund/provident fund to a pension preservation fund or provident preservation fund once a member reaches normal retirement age but before retirement date.

In addition, the single withdrawal applicable to preservation funds will not apply to transfers from a pension/provident fund to a pension preservation or provident preservation fund once the member reaches normal retirement age but before an election to retire.

Employment tax incentive – definition of ‘employee’

The definition of ‘employee’ as defined in section 1 of the Employment Tax Incentive Act has changed to clarify that effective 26 July 2018, ETI can be claimed by the employer who pays remuneration to the qualifying employee in the case of an agreement between the labour broker/temporary employment service provider (TES) and the client.

Important tax certificate reporting changes

From March 2019 –

- any overtime payments must be reported against IRP5 code 3607,
- the employer must indicate if the employer enjoys diplomatic indemnity,
- the employer must indicate if the employee requested the employer (via written confirmation) to withhold additional tax (i.e. over deduction of PAYE),
- the employer must indicate if employee’s tax was calculated at a fixed rate as a result of non-standard employment (employees’ tax deducted at a fixed rate of 25%). Please note that this does not apply to a fixed % directive,
- employer’s pension fund contributions paid for the benefit of an employee or former employee who has retired from the fund and qualifies for the “no value” provisions in the Seventh Schedule, must be reported against IRP5 code 4585,
- employer’s provident fund contributions paid for the benefit of an employee or former employee who has retired from the fund and qualifies for the “no value” provisions in the Seventh Schedule, must be reported against IRP5 code 4586,
- new source code 7009 (ETI SEZ Code) will be implemented to provide adequately for a ‘multiple Special Economic Zone (SEZ)’ scenario on a monthly basis (code 7009 will replace codes 2083 and 3264), and
- nature of person ‘C’ (Director of a private company/member of a CC) will no longer be applicable.

SARS clarified that if an employee’s nature of person changed from a natural person to a non-natural person during the tax year (or vice versa), a separate tax certificate must be created/issued.

Please note: Non-natural person refers to a personal service provider company or trust and a partnership.

SARS also clarified that if an employee’s tax was withheld at non-standard employment rates (fixed rate of 25%) and changes to standard employment rates (statutory tables) during the tax year (or vice versa), a separate tax certificate must be created/submitted. Please note that this does not apply to a fixed % tax directive.

Sources

Income Tax Act

Employment Tax Incentive Act

Taxation Laws Amendment Act, 2018

Tax Administration Laws Amendment Act, 2018

Explanatory Memorandum on the Taxation Laws Amendment Bill, 2018

Memorandum on the Object of the Tax Administration Laws Amendment Bill, 2018

Final Response Document on Taxation Laws Amendment Bill, 2018 and Tax Administration Laws Amendment Bill, 2018

SARS PAYE Business Requirement Specification V18.0.0

National Budget Speech, 2019

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