2015 Budget speech update

The Minister of Finance announced amendments to tax and other legislation that may affect investors. These changes, which come into effect on 1 March 2015, are discussed in more detail below.

Income tax

Individuals and special trusts

The tax brackets have been adjusted for inflation and income tax rates have been raised by 1% for all taxpayers earning more than R181 900 a year. The highest marginal tax rate for individual taxpayers has increased from 40% to 41%. The personal income tax rates for the 2015/2016 tax year are listed below.

Taxable income	Tax rate
R0 – R181 900	18% of taxable income
R181 901 – R284 100	R32 742 + 26% of taxable income above R181 900
R284 101 – R393 200	R59 314 + 31% of taxable income above R284 100
R393 201 – R550 100	R93 135 + 36% of taxable income above R393 200
R550 101 – R701 300	R149 619 + 39% of taxable income above R550 100
R701 301 and above	R208 587 + 41% of taxable income above R701 300

Companies and trusts

The income tax rate for companies remains unchanged at 28% and the rate for trusts (other than special trusts) has increased from 40 to 41%.

Tax thresholds

Tax thresholds have been amended to:

- R73 650 for taxpayers younger than 65.
- R114 800 for taxpayers aged 65 to below 75.
- R128 500 for taxpayers aged 75 and older.

Rebates

Rebates deductible from tax payable have been amended to:

- R13 257 per year for all individuals (primary rebate).
- R 7 407 for taxpayers aged 65 and older (secondary rebate).
- R 2 466 for taxpayers aged 75 and older (tertiary rebate).

Interest exemptions

Interest exemptions remain unchanged:

- The exemption on interest earned for individuals younger than 65 years remains R23 800 per annum.
- The exemption for individuals older than 65 years remains R34 500 per annum.

Medical tax credits

Monthly tax credits for medical scheme contributions will increase as follows:

- From R257 to R270 per month per beneficiary for the first two beneficiaries
- From R172 to R181 per month for each additional beneficiary

Dividends tax

Dividends tax remains 15% on dividends paid by resident companies and by non-resident companies for shares listed on the JSE.

Most foreign dividends received by individuals from foreign companies (shareholding of less than 10% in the foreign company) are taxable at a maximum effective rate of 15%.

Interest withholding tax

A final tax at a rate of 15% is imposed on interest from a South African source payable to non-residents with effect from 1 March 2015. Interest is exempt if payable by any sphere of the South African government, a bank or if the debt is listed on a recognised exchange.

Retirement lump sum taxation

At retirement

The first R500 000 of a retirement lump sum withdrawal remains tax free. The table below illustrates how lump sums will be taxed:

Taxable lump sum (R)	Rate of tax (R)
R0 - R500 000	0% of taxable income
R500 001 – R700 000	18% of taxable income above R500 000
R700 001 – R1050 000	R36 000+ 27% of taxable income above R700 000
R1050 001 and above	R130 500 + 36% of taxable income above R1050 000

Pre-retirement

The first R25 000 of a pre-retirement lump sum withdrawal remains tax-free. The table below illustrates how lump sum withdrawals will be taxed:

Taxable lump sum (R)	Rate of tax (R)
R0 – R25 000	0% of taxable income
R25 001 – R660 000	18% of taxable income above R25 000
R660 001 – R990 000	R114 300+ 27% of taxable income above R660 000
R990 001 and above	R203 400 + 36% of taxable income above R990 000

Capital gains tax (CGT)

CGT inclusion rates remain unchanged but the maximum effective rate has increased slightly for individuals and special trusts, as well as for other trusts. The effective rate remains unchanged for companies.

Investor	Maximum effective tax rate
Individuals and special trusts	0% - 13.65%
Companies	18.65%
Other trusts	27.31%

Specific exclusions worth mentioning are:

- Annual exclusion of R30 000 for capital gain or loss granted to individuals and special trusts
- R300 000 granted to individuals in the year of their death

Changes proposed for the future

Interest withholding tax

The term "interest" is to be defined for withholding tax purposes. Provisions will be introduced to ensure that the withholding tax will only apply to interest that would be taxable in South Africa.

Retirement funding reform

The alignment of pension, provident and retirement funds is scheduled for 1 March 2016. Lump sums paid by all funds will be subject to compulsory annuitisation and the tax deduction of contributions to these funds will be 27.5% of the greater of an individual's taxable income or remuneration.

Exchange Control

From 1 April 2015, South African residents' foreign capital allowance will increase from R4 million to R10 million per calendar year, or upon emigration, or R20 million per family unit.

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