

2017 National Budget

The National Budget that was presented to Parliament by Finance Minister Pravin Gordhan on 22 February 2017 was entitled “Budgeting at the height of inequality”.

The budget was prepared amidst the most uncertain political climate in South Africa since 1994, a labour force that is 35% unemployed or have given up hope of finding work and economic growth that has only barely exceeded 1% a year in real per capita terms over the past 25 years.

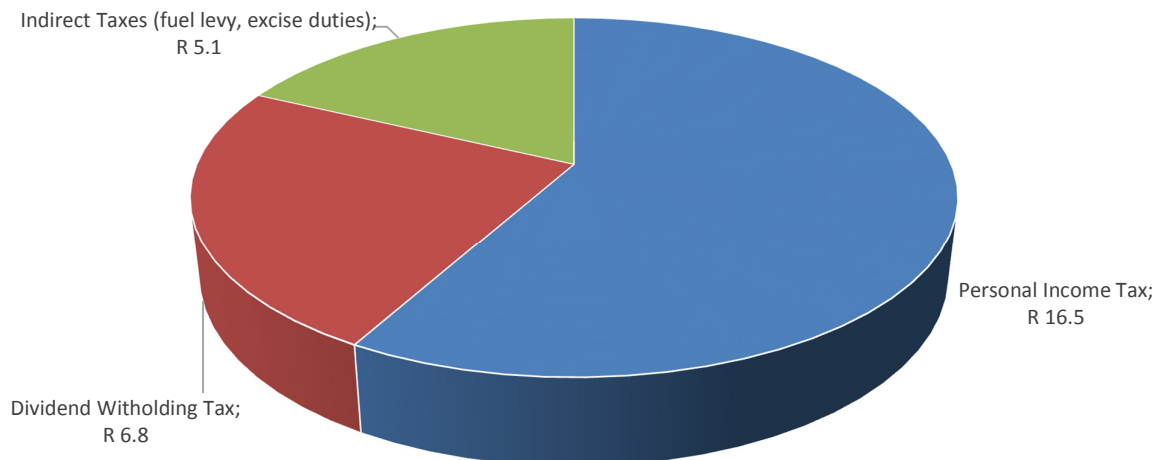
The combination of these factors will do little to diffuse the growing inequality gap referenced in the title of the budget. In addition, there appears to be little immediate hope of an improvement in any of these three factors affecting the South African economic climate.

This combination of factors and the reported under-collection of taxes by SARS has caused a significant strain on government coffers - leading to a R30 billion shortfall by comparison with the budget estimate a year ago.

Faced with a growing deficit, depressed revenue generators and a limited tax pool, Minister Gordhan once again focused the tax increases on high income earners. By his own admission finding the right tax balance for the 2017/18 budget was a challenge.

Minister Gordhan proposed a swing of R38 billion in this year’s budget from a combination of R28 billion in tax increases (74% of the R38 billion) and R10 billion reduced government spending (26% of the R38 billion).

The tax increases (in R’ billions) can be summarized as follows:



Note: R11,2 billion is estimated to come from the country’s top 100,000 earners (±R4,4 in Personal Income Taxes & ±R6,8 in Dividend Withholding Tax).

In the 2017 budget, the Minister of Finance made the following proposals:

1. Personal Income Tax

A new tax bracket of 45% was introduced for those earning R1,5 million a year and more (Treasury estimates this number to be just over 103,000 people or about 1.4% of registered taxpayers).

A comparison of the rates, bracket adjustments, rebates and tax threshold are as follows:

2016/2017		2017/2018	
Taxable Income	Rates of Tax	Taxable Income	Rates of Tax
R0 – R188,000	18% of each R1	R0 – R189,880	18% of each R1
R188,001 – R293,600	R33,840 + 26% of the amount above R188,000	R189,881 – R296,540	R34,178 + 26% of the amount above R189,880
R293,601 – R406,400	R61,296 + 31% of the amount above R293,600	R296,541 – R410,460	R61,910 + 31% of the amount above R296,540
R406,401 – R550,100	R96,264 + 36% of the amount above R406,400	R410,461 – R550,600	R97,225 + 36% of the amount above R410,460
R550,101 – R701,300	R147,996 + 39% of the amount above R550,100	R555,601 – R708,310	R149,475 + 39% of the amount above R555,600
R701,301 and above	R206,964 + 41% of the amount above R701,300	R708,311 – R1,500,000	R209,032 + 41% of the amount above R708,310
		R1,500,001 and above	R533,625 + 45% of the amount above R1,500,000
Rebates		Rebates	
Primary	R13,500	Primary	R13,635
Secondary	R7,407	Secondary	R7,479
Tertiary	R2,466	Tertiary	R2,493
Tax Threshold		Tax Threshold	
Below age 65	R75,000	Below age 65	R75,750
Age 65 and over	R116,150	Age 65 and over	R117,300
Age 75 and over	R129,850	Age 75 and over	R131,150

2. Medical Credits

The medical aid tax credit has increased in line with inflation from R286 to R303 per month for the member and first dependent and from R192 to R204 for subsequent dependents.

3. Social Grants (effective 1 April 2017)

- The old age grants were increased by R90 to R1,600 per month for pensioners over the age of 60 and R1,620 per month for those over age 75.
- The disability and care dependency grants also increased by R90 to R1,600 per month.
- Foster care grants increased by R30 to R920 per month.
- The child support grant increased by R20 to R380 per month.

4. Travel Allowance Tables

The Travel Allowance Tables have been adjusted upwards as well as the rate at which employers can reimburse employees for business travel from R3.29 to R3.55 per kilometer and for 12,000km rather than the previous 8,000km.

5. Foreign Employment Taxation

Currently, if a South African resident works in a foreign country for more than 183 days, the foreign income earned is exempt from tax, subject to certain conditions. It was proposed that

this exemption be adjusted so that foreign employment income will only be exempt from tax if it is subject to tax in the foreign country.

6. Tax Free Savings

The annual allowance for Tax Free Savings was increased from R30,000 to R33,000. However, the annual lifetime limit of R500,000 remained unchanged.

7. Dividend Withholding Tax

The Dividend Withholding Tax rate was increased from 15% to 20%.

Note: Investments in retirement funds and tax free savings accounts are exempt from dividend tax.

8. Capital Gains Tax

Capital Gains Tax inclusion rate for individuals remains unchanged at 40%.

9. Estate Duty & Donations Tax

Estate Duty & Donations Tax remains unchanged at 20%.

10. Fuel Levy (effective 5 April 2017)

There was an increase of 30 cents per litre in the general fuel levy and 9 cents per litre in the road accident fund.

11. Increase in Exercise Duties for Alcohol & Tobacco

The Exercise Duties for Alcohol & Tobacco increased between 6.1% and 9.5%.

12. Transfer Duty

Relief was provided in the affordable housing market through an increase in the threshold above which transfer duty is paid from R750,000 to R900,000.

13. Sugar Tax

An added tax on the sugar content of various beverages is still being considered.

14. Carbon Tax

The implementation of a proposed carbon tax is being debated.

15. Compulsory Pensions

The discussions in respect of compulsory annuitisation for Provident Fund members are continuing within the National Economic Development and Labour Council. It appears that the implementation of these measures may be delayed further than 1 March 2018.

Questions or Further Information

Should you have any questions or require further information, please contact your Consultant.

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