

FINANCE MATTERS

HW | Hewett
Wealth

BUDGET SPEECH 2019/2020 TAX YEAR

Finance Minister, Tito Mboweni, delivered his maiden budget speech in Parliament yesterday - Please see below some highlights:

Individual tax thresholds have been increased to the following:

- Under 65 - R 79 000 (Previously R 78 150)
- 65 to 74 - R122 300 (Previously R121 000)
- 75 and older - R136 750 (Previously R135 300)

An individual does not have to register for provisional tax if the individual does not carry on a business and his or her taxable income does not exceed the above-mentioned amounts, OR received R30 000 and less from interest / dividends / rental for the tax year

- The maximum marginal rate for natural persons remains at 45% - This is reached when a taxable income of R1 500 000 or higher is earned
- The minimum rate of tax remains at 18% - Applicable to taxable income not exceeding R185 850

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- **The tax rebates have been increased to the following:**
 - Primary tax rebate - R14 220 (Previously R14 067)
 - Secondary rebate applicable to persons 65 and older - R7 794 (Previously R7 713)
 - Persons 75 years and older will receive a further rebate of R2 601 (Previously R2 574)
- Interest exemptions remain the same at R23 800 (Under 65 years) and R34 500 (65 years and older)
- Allowable contribution to tax-free savings accounts remain R33 000 per tax year
- Local dividend tax remains at 20% (Foreign dividends also to be taxed at 20% - This may however be reduced in terms of double tax agreements in place)
- VAT Remains at 15%
- Offshore Allowances - R1 000 000 allowance per person per calendar year where no tax clearance certificate is required; R10 000 000 maximum allowance per person per year with tax clearance certificate required

INDIVIDUAL TAX TABLE (ALSO APPLICABLE TO SPECIAL TRUSTS)

R	-	-	R	195 850,00	18%		of taxable income	
R	195 851,00	-	R	305 850,00	R	35 253,00	+ 26%	of taxable income above R 195 850,00
R	305 851,00	-	R	423 300,00	R	63 853,00	+ 31%	of taxable income above R 305 850,00
R	423 301,00	-	R	555 600,00	R	100 263,00	+ 36%	of taxable income above R 423 300,00
R	555 601,00	-	R	708 310,00	R	147 891,00	+ 39%	of taxable income above R 555 600,00
R	708 311,00	-	R	1 500 000,00	R	207 448,00	+ 41%	of taxable income above R 708 310,00
R	1 500 001,00			and above	R	532 041,00	+ 45%	of taxable income above R 1 500 000,00

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- Company tax remains at 28%
- Trust tax remains at 45% (Distributions made to beneficiaries will be taxed in their personal capacity)

Estate Duty

- 20% for estates on the first R30 000 000 and
- 25% on amounts exceeding R30 000 000
- Abatement remains at R3 500 000 per person and a surviving spouse may also benefit automatically from any unused deduction in the first dying spouse's estate. (Combined maximum of R7 000 000)

Donations

- Donations Tax - 20% for donations R30 000 000 or less and 25% for amounts above R30 000 000
- R100 000 per individual exemption remains in place, with donations between spouses fully exempt

Capital Gains

- Annual exclusion remains at R40 000 for individuals; R300 000 at death
- Primary Residence - First R2 000 000 capital gain is excluded for capital gains tax
- Maximum effective rate for individuals remains at 18% and 36% for trusts

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Transfer Duty

R	-	-	R 900 000,00	0%		of Property value	
R	900 000,00	-	R 1 250 000,00	3%		of Property value above	R 900 000,00
R	1 250 000,00	-	R 1 750 000,00	R 10 500,00	+ 6%	of Property value above	R 1 250 000,00
R	1 750 000,00	-	R 2 250 000,00	R 40 500,00	+ 8%	of Property value above	R 1 750 000,00
R	2 250 000,00	-	R 10 000 000,00	R 80 500,00	+ 11%	of Property value above	R 2 250 000,00
R	10 000 000,00		and above	R 933 000,00	+ 13%	of Property value above	R 10 000 000,00

Retirement Lump Sum Benefits

Withdrawal Benefits

R	-	-	R 25 000,00	0%		of taxable income	
R	25 001,00	-	R 660 000,00	18%		of taxable income above	R 25 000,00
R	660 001,00	-	R 990 000,00	R 10 500,00	+ 27%	of taxable income above	R 660 000,00
R	990 001,00	-	and above	R 40 500,00	+ 36%	of taxable income above	R 990 000,00

Retirement / Severance Benefits

R	-	-	R 500 000,00	0%		of taxable income	
R	500 001,00	-	R 700 000,00	18%		of taxable income above	R 500 000,00
R	700 001,00	-	R 1 050 000,00	R 36 000,00	+ 27%	of taxable income above	R 700 000,00
R	1 050 001,00	-	and above	R 130 500,00	+ 36%	of taxable income above	R 1 050 000,00

- The total contributions to retirement funds are deductible but limited to 27,5% of the greater of remuneration or taxable income, but excluding lump sums, prior to the deduction for donations, capped at an annual limit of R350 000. Any excess may be carried forward. Capital gains can be included for the purposes of the calculation, but the deduction is limited to the greater of remuneration or income without taxable capital gains.

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- Pension and Retirement Annuity Funds will still require a compulsory annuity purchase upon retirement with 2/3rd of such fund benefits whereas Provident Fund benefits may be commuted in full, until 1 March 2019 when annuitisation also applies. **(Government issued a statement saying that *further changes may be made to this legislation* - We await further comment and clarity regarding this)**

Medical Expenses

- R310 for one Main Member
- R620 for one Main Member and one Dependent
- R209 for each additional dependent

Additional Medical Expenses Tax Credit

- Persons under 65 years:
 - 25% of Total contributions paid to the medical scheme, less (4 times medical scheme fees credit), plus (qualifying medical expenses paid less 7,5% of taxable income)
- Persons 65 years and older OR a person with disabilities OR where his or her spouse have disabilities will have the following credits available:
 - 33.3% of Total contributions paid to the medical scheme, less (3 times scheme fees credit), plus (qualifying medical expenses paid)

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Other Highlights

- Mboweni placed pressure on state-owned enterprises to repay their current loans and if this cannot be done, the country should ask itself if we need them, and if we don't need them, what should we do?
- How the budget will be allocated:

Education: R1,2 trillion for learning and culture, for access to quality basic and higher education, developing skills, provide training and contribute to social cohesion.

Over R30 billion is allocated to build new schools and maintain educational infrastructure. An additional R2,8 billion was added to the School Infrastructure Backlogs grant to replace pit latrines at over two thousand four hundred schools.

Higher Education: R111.2 billion will be spent to ensure that 2.8 million deserving students from poor and working-class families obtain their qualifications at universities and TVET colleges.

Health: R717 billion for health services (Incl. NHI) and R2.8 billion has been allocated to a new human resource grant and R1 billion for medical interns. R1 billion has been added to raise the wages of community health care workers to R3 500 per month.

R319 million is allocated to fight and eliminate malaria in South Africa.

About R900 billion has been allocated for social development.

The Jobs Fund, a vital complement to private sector job creation which disbursed R4.6 billion in grant funding and created 200 000 jobs, will receive R1.1 billion in the next 3 years.

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Land: R1.8 billion is allocated for the implementation of 262 priority land-reform projects over the next three years.

R3.7 billion is set aside to assist emerging farmers, seeking to acquire farming land.

Business: R481.6 million is allocated to the SEDA (Small Enterprise Development Agency) to expand the small business start-up programme. In addition,

Government has also allocated R19.8 billion for industrial business incentives, of which R600m has gone to the clothing and textile competitiveness programme.

Arts and Culture: The development of a new national theatre, a new national museum, financial support for the National Archives, a national orchestra and ballet troupe is envisioned in the short term.

Social Grants: Government has allocated R567 billion for social grant payments. An R80 increase for old age, disability, war veterans and care dependency grants, R40 increase for the foster care grant to R1 000 and the child support grant will increase to R420 in April and to R430 in October.

Housing: R14.7 billion has been reprioritised to two new conditional grants for informal settlements upgrading which will enable these households to have access to basic amenities.

Duty-free Shopping and Diplomats: Mboweni said duty-free shopping at South Africa airports should be re-evaluated. Staffing at diplomatic missions should be reviewed urgently.

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Infrastructure: The South African National Roads Agency is allocated an additional R3.5 billion over the next three years to improve non-toll roads.

Changes to the cost of data, expansion of a renewable energy plan and a 9% to 10% carbon tax were also announced.

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