PREFACE

This guide is issued with the compliments of Nexia Josman Seidel and Nedbank and is intended as an easy reference to proposals set out in the Budget Speech as presented on 26 February 2003. We have included other relevant fiscal and financial information.

The publication is intended to serve as a general financial guide and should not be relied upon for detailed planning. You are urged to consult us for guidance on specific issues pertaining to your individual circumstances. This is especially necessary in view of ongoing legislative and other amendments. Whilst every care has been taken to ensure accuracy, no responsibility is accepted for the consequences of any action based on information contained herein.

Nexia Josman Seidel
Nedbank

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BUDGET HIGHLIGHTS

TAXATION OF INDIVIDUALS

Rates
Revised marginal rates are as follows:

Taxable Income

R 1 - 70 000	18%
R 70 001 - 110 000	25%
R 110 001 - 140 000	30%
R 140 001 - 180 000	35%
R 180 001 - 255 000	38%
R 255 000 +	40%

	2004 R	2003 R
Rebates		
Primary rebate	5 400	4 860
Additional rebate for individuals 65 and older	3 100	3 000
Interest income exemption		
64 and younger	10 000	6 000
65 and older	15 000	10 000
Tax thresholds at which liability commences		
64 and younger	30 001	27 001
65 and older	47 223	42 641

LOSSES FROM SECONDARY TRADES

It is proposed that losses from secondary trades such as farming, letting of holiday accommodations and hobby-like activities such as yachting and car collecting be ring-fenced so that these losses cannot be offset against salary or professional income.

TAX ON DIVIDENDS FROM DESIGNATED COUNTRIES

It is proposed that the designated country exception whereby foreign dividends were exempt be eliminated.

TAX ON DIVIDENDS FROM FOREIGN SUBSIDIARIES

It is proposed that the tax on foreign dividends be removed where a South African taxpayer has a meaningful interest in the foreign subsidiary paying the dividend.

SMALL BUSINESS STIMULUS MEASURES

It is proposed that taxpayers receive a double deduction for start-up expenses incurred in connection with a new business, limited to the first R20 000 of available deductions.

MISUSE OF PAYE, VAT AND UIF FUNDS

It is proposed that responsible officials become directly liable for PAYE, VAT and UIF deductions withheld but not paid over to the relevant authority. It is further proposed that penalties of up to 200% for PAYE violations be levied.

EXTENSION OF ACCELERATED DEPRECIATION WINDOW PERIOD FOR MANUFACTURING

It is proposed that the four year regime for tax depreciation on assets used in manufacturing and similar processes be extended by the removal of the 28 February 2005 sunset limitation.

SHIFTING OF RESIDENCE OFFSHORE

Currently, South African law imposes a capital gains tax on individuals and companies who shift their tax residence offshore. It is proposed firstly that such companies also be subject to Secondary Tax on Companies as if they distributed all of their available profits, and secondly that the income tax definition of resident be aligned with ratified tax treaties.

TAX RELIEF FOR REINVESTING SALE PROCEEDS

It is proposed that comprehensive tax relief be provided for ordinary income and capital gains when the sale proceeds of moveable depreciable business assets are reinvested in other movable assets within 18 months. The current rollover provisions for involuntary dispositions (i.e. gains from insurance proceeds) will also be incorporated into the legislation for business reinvestment.

EXCHANGE CONTROL AMNESTY WITH ACCOMMODATING TAX RELIEF

It is proposed that a joint amnesty be offered to individuals in contravention of exchange controls or taxation on foreign income and assets, to regularise their affairs.

EMIGRANTS FUNDS

It is proposed that the regulations relating to emigrants blocked funds be liberalised. Amounts of up to R750 000 per person or R1 500 000 per family unit (including amounts already exited) will be eligible for exiting without charge. Holders of blocked assets wishing to exit more than R750 000 per person or R1 500 000 per family unit (inclusive of allowances already exited) must apply to the South African Reserve Bank. Approval will be subject to an exiting schedule and an exit charge of 10% of the amount.

VALUE-ADDED TAX: TAX INVOICE REQUIREMENTS

It is compulsory for registered VAT vendors to provide their correct names and addresses for inclusion on invoices when making purchases above R1 000. It is proposed to also make it compulsory for registered VAT vendors to provide their VAT registration numbers for inclusion on invoices when making purchases above R1 000.

VAT THRESHOLD FOR COMMERCIAL ACCOMMODATION

It is proposed that the monetary threshold for total expected annual receipts from letting in the definition of commercial accommodation be increased from R48 000 to R60 000. This ensures that individuals who occasionally let their private holiday homes do not misuse the VAT input system.

TRANSFER DUTY

It is proposed that the graduated rate structure for calculating transfer duty on the acquisition of fixed property be adjusted by increasing the duty exempt level from R100 000 to R140 000 with effect from 1 March 2003. It is further proposed to impose a penalty of up to 200% for transfer duty violations.

STAMP DUTIES

It is proposed that stamp duties on insurance policies and fixed deposits be abolished with effect from 1 April 2003.

INFORMATION AND REPORTING

It is proposed that a more effective flow of information between the South African Revenue Service and the South African Reserve Bank be sought with a view to mutually supporting law enforcement efforts.

RETIREMENT FUND TAX RATE

It is proposed that the retirement fund tax rate be reduced from 25% to 18%.

AIR PASSENGER DEPARTURE TAX

It is proposed that the air passenger departure tax increase by R5 to R55 per passenger departing to Botswana, Lesotho, Namibia and Swaziland and by R10 to R110 per passenger departing for all other international destinations with effect from 1 July 2003.

RESIDENCE-BASED SYSTEM OF TAXATION

A residence-based system of taxation was introduced with effect from 1 January 2001.

Residents

A natural person ordinarily resident in South Africa, or physically present in South Africa for longer than a specified period, and a person other than a natural person (e.g. company, close corporation, trust) which is incorporated, established or formed in the Republic or which has its place of effective management in the Republic, excluding any international headquarter company as defined, will be taxed in the Republic on worldwide income. Credit will be given for any taxes paid, without any right of recovery, to the government of any other country.

A natural person who is not ordinarily resident in the Republic will be a resident if he was physically present in the Republic for a period or periods exceeding

- 91 days in aggregate during the current year of assessment, and
- 91 days in aggregate during each of the 3 preceding years of assessment, and
- 549 days in aggregate during the 3 preceding years of assessment.

The above periods of physical presence need not be continuous.

Nonresidents

Nonresidents will continue to be taxed in the Republic on income from a South African or deemed South African source.

Effective date

Companies	-	Years of assessment commencing on or after 1 January 2001
Other	-	Years of assessment ending on 28 February 2002 or 30 June 2002

TAXATION OF MARRIED PERSONS

MARRIAGES IN COMMUNITY OF PROPERTY

Income taxed specifically in the hands of one spouse

- income from a trade carried on by a spouse independently is taxed in the hands of that spouse
- benefits payable to a member or a past member of a pension, provident, retirement or benefit fund are taxed in the hands of the member or the past member
- an annuity as defined in section 10A is taxed in the hands of the spouse to whom it is payable
- income falling outside the joint estate, e.g. where a testator bequeaths an asset to a spouse on condition that neither the asset nor the income produced by that asset shall form part of the joint estate, is taxed in the hands of that spouse.

Income divided between spouses

- in cases where a joint trade is carried on by the spouses, income is deemed to accrue to the spouses in the profit-sharing ratio per their partnership agreement
- income from the renting of fixed property is deemed to accrue to both spouses in equal proportions
- income derived other than from trade, e.g. interest, is deemed to accrue to both spouses in equal proportions. Each spouse is entitled to the interest exemption, as well as a pro rata share of any other deduction that may be granted.

MARRIAGES OUT OF COMMUNITY OF PROPERTY

Each spouse is taxed separately.

REBATES

	2004 R	2003 R
PRIMARY	5 400	4 860
ADDITIONAL PRIMARY Persons aged 65 and older	3 100	3 000

DEDUCTIONS

CURRENT PENSION FUND CONTRIBUTIONS
The greater of:
- 7,5% of taxable income from retirement funding employment, or
- R1 750.

Any excess may **not** be carried forward to the following year of assessment.

ARREAR PENSION FUND CONTRIBUTIONS
Maximum of R1 800 per annum.
Any excess over R1 800 may be carried forward to the following year of assessment.

CURRENT RETIREMENT ANNUITY FUND CONTRIBUTIONS
The greatest of:
- 15% of taxable income from non-retirement funding employment, or
- R3 500 less deductible contributions to a pension fund, or
- R1 750.

Any excess may be carried forward to the following year of assessment.

ARREAR RETIREMENT ANNUITY FUND CONTRIBUTIONS
Maximum of R1 800 per annum.
Any excess over R1 800 may be carried forward to the following year of assessment.

DONATIONS
To certain public benefit organisations (as defined), limited to the greater of 5% of taxable income and R1 000.

MEDICAL AND PHYSICAL DISABILITY EXPENSES

- Taxpayers under 65 are limited to:
  - where the taxpayer or his spouse or child is a handicapped person, the amount which exceeds R500
  - in all other cases, the amount which exceeds 5% of taxable income
- Taxpayers 65 and older, unlimited expenditure allowed.

EXEMPTIONS

DIVIDENDS

Dividends received from entities registered or managed in South Africa or from foreign companies where a South African taxpayer has a meaningful interest in the foreign subsidiary paying the dividend are free of taxation.

RETRENCHMENT LUMP SUMS

Any employee retrenched as a result of an employer having ceased to carry on trade or having become redundant as a general reduction of the employer's personnel is, in terms of section 10(1)(x), entitled to an exemption on lump sum benefits received, up to a maximum of R30 000. The exemption is reduced by any amounts previously claimed in terms of this section.

Directors, former directors or shareholders holding more than 5% of the equity share capital of a company are not entitled to this exemption.

INTEREST AND TAXABLE DIVIDENDS

The exempt portion of interest and taxable dividends earned is as follows:

	2004 **R**	**2003** **R**
64 and younger	10 000	6 000
65 and older	15 000	10 000

The exempt portion of interest and dividends earned from a foreign source is limited to R1 000 of the total exemption.

TAX THRESHOLDS

The tax thresholds at which liability for tax commences for natural persons are as follows:

	2004 R	2003 R
64 and younger	30 001	27 001
65 and older	47 223	42 641

TAX RATES

Taxable Income	Rates
R 1 - 70 000	18% of each R1
R 70 001 - 110 000	R 12 600 + 25% of the amount over R 70 000
R 110 001 - 140 000	R 22 600 + 30% of the amount over R 110 000
R 140 001 - 180 000	R 31 600 + 35% of the amount over R 140 000
R 180 001 - 255 000	R 45 600 + 38% of the amount over R 180 000
R 255 000 +	R 74 100 + 40% of the amount over R 255 000

SITE AND PAYE

SITE

The first R60 000 of net remuneration is subject to SITE, any excess is subject to PAYE. An individual whose income is subject to SITE only need not submit a tax return and the SITE deducted is the final tax liability.

PAYE

To the extent that the income of an individual is not ‘net remuneration’ as defined in the Fourth Schedule of the Income Tax Act and/or exceeds R60 000, this income is subject to PAYE. PAYE overpaid is refundable on assessment.

The salary of a director of a company and a member of a close corporation is subject to PAYE.

PROVISIONAL TAX

Provisional taxpayers are required to make the following payments:

- First payment - six months after the financial year commences
- Second payment - at the end of the financial year
- Third payment (optional) - seven months after the financial year end in respect of taxpayers with a February year end
  - six months after the financial year end in all other cases.

Individuals whose taxable income does not exceed R50 000 are not required to make the third provisional payment. No interest will be charged on any shortfall.

Individuals whose taxable income exceeds R50 000, although not required to make the third provisional payment, will be charged interest at the rate of 15,5% on any shortfall calculated from seven or six months after the financial year end, as the case may be. Such interest is not deductible for tax purposes.

Taxable interest, at the rate of 11,5%, will be paid by the State to any individual on tax overpaid in the following instances:

- tax overpaid exceeds R10 000, or
- taxable income exceeds R50 000.

Individuals 65 and older whose taxable income (exclusively from remuneration, rent or investment) is less than R80 000 need not make provisional tax payments.

TRUSTS AND DECEASED ESTATES

TAX RATES

With effect from 1 March 2002	40%

Excluded from the above are testamentary trusts established for the benefit of minor children and trusts which have been created solely for the benefit of persons suffering from a mental illness as defined or a serious physical disability, where such illness or disability incapacitates the beneficiary from earning sufficient income to maintain himself. Such trusts are taxed at rates applicable to individuals.

TAX LOSSES

Section 25B of the Income Tax Act provides that losses of a trust may not flow through to the beneficiaries for tax purposes. Losses retained in the trust may be carried forward to the following tax year to be set off against taxable income in that year.

COMPANIES/CLOSE CORPORATIONS

Companies and close corporations (CCs) are taxed in the same way for income tax purposes.

TAX RATES

Year of assessment ending on or after 1 April 2002

Normal tax	
Corporate entities (other than those mentioned below)	30,0%
Small business corporations	
• on first R150 000	15,0%
• excess over R150 000	30,0%
Employment companies	35,0%
Branches of companies having their effective place of management outside the Republic	35,0%
Secondary tax on companies	12,5%

The secondary tax is payable at the end of the month following the month during which the dividend accrued to the shareholder.

Small business corporation

A small business corporation is a company where:

- the shareholders are natural persons
- gross income does not exceed R5 000 000 per annum
- the shareholders own shares in any other company (other than listed companies and unit trusts) at a de minimis level only
- not more than 20% of the company's gross income collectively consists of investment income (interest, rents, annuities, dividends) and income from personal services (professional services).

Employment company

An employment company is a company:

- which is a labour broker, as defined, which has not been issued with a certificate of exemption
- where any service rendered on behalf of the company to its client is rendered personally by any person who is a connected person in relation to such company (known as a personal service company).

An employment company is taxed as follows:

- the remuneration payable to such company is subject to employees' tax
- allowable deductions are limited to the remuneration paid to the shareholders, members or other employees
- net income is taxed at a rate of 35% and secondary tax on companies applies to any dividends paid.

A company is not regarded as a personal service company where it employs more than three full time employees (other than a shareholder or member), none of whom is a connected person in relation to such shareholder or member.

TAXATION OF MEMBERS

Dividends paid to members are exempt from income tax.

PROVISIONAL TAX

Companies and CCs are provisional taxpayers and are required to make provisional tax payments. Interest will accrue on underpayments and overpayments where the taxable income exceeds R20 000. Companies and CCs whose taxable income does not exceed R20 000 are not required to make the third provisional payment and no interest will be charged on any shortfall.

See page 13 for full details relating to provisional tax.

CAPITAL INCENTIVE ALLOWANCES

INITIAL ALLOWANCES

Residential buildings	Cost of buildings in ‘housing projects’ consisting of at least 5 residential units intended for letting or to be occupied by a bona fide full time employee, and erection commenced on or after 1 April 1982	10%

ANNUAL ALLOWANCES

Industrial buildings used in manufacture or similar process	Cost of erection of buildings or improvements commenced on or after 1 January 1989	5%
	New buildings or improvements to buildings used in a process of manufacture or similar process where the erection of the building or the improvements commenced during the period 1 July 1996 to 30 September 1999 and such building or improvements were brought into use on or before 31 March 2000	10%
	The annual allowances may be claimed in full in the year in which the building or improvements were brought into use.	
Residential buildings	Cost of buildings in ‘housing projects’ consisting of at least 5 residential units intended for letting or to be occupied by a bona fide full time employee, and erection commenced on or after 1 April 1982	2%

WEAR AND TEAR ALLOWANCES

Annual wear and tear allowances are calculated on the straight line basis, on tax values of assets after deducting the initial allowances (where applicable).

Accelerated allowances

New or unused plant or machinery used in a process of manufacture or similar process	33,33%

where:

- acquired and brought into use during the period 1 July 1996 to 30 September 1999
- acquired under an agreement finally signed by every party to the agreement during the period 1 July 1996 to 30 September 1999 and brought into use during the period 1 October 1999 to 31 March 2000.

New and unused manufacturing assets acquired from 1 March 2002:

1st year	40,00%
2nd to 4th year	20,00%

Manufacturing assets brought into use by small business corporations for the first time on or after 1 April 2001	100,00%

Plant or machinery

Where contractual arrangements for plant or machinery were concluded after 15 December 1989 and brought into use after that date, where they do not fall into any of the above categories	20,00%

Farming equipment

Any machinery, implements, utensils or articles (other than livestock):

1st year	50,00%
2nd year	30,00%
3rd year	20,00%

Ships	20,00%
Aircraft	20,00%

With regard to the above assets, the allowance may be claimed in full in the year in which the asset is brought into use (i.e. there is no apportionment), even if the asset was used for part of the year.

Furniture, fittings and equipment

Air-conditioning equipment (movable parts only)	16,67%
Calculators and fax machines	33,33%
Cellular phones	33,33%
Computers - PC hardware	33,33%
- software	50,00%
Demountable partitions	16,67%
Furniture and fittings	16,67%
Lifts (cages and movable parts only)	8,33%
Photocopiers	20,00%

Motor vehicles

Cars	20,00%
Delivery vehicles	25,00%
Heavy duty trucks	33,33%

These allowances are apportioned where an asset is used for part of the year.

NOTES

- Interest or finance charges in terms of instalment sale agreements for assets acquired are excluded from the cost of the assets when calculating the above allowances.
- Relief will be provided where the proceeds from the sale of movable business assets are reinvested in other movable assets within an 18 month period.

TAXATION OF FRINGE BENEFITS AND ALLOWANCES

Only certain important provisions are summarised below.

ENTERTAINMENT ALLOWANCE
Included in gross income. Allowed as deduction: the greater of R300 and 5% of taxable income from trade exceeding R6 000 (maximum R2 500) in respect of individuals such as agents who earn remuneration mainly in the form of commission based on sales.

SUBSISTENCE ALLOWANCE
Included in gross income is only the portion exceeding:
- R53 per day if the allowance is paid to defray costs of incidental expenses, or
- R173 per day if the allowance is paid to defray cost of meals and incidental expenses, or
- $190 per day where the accommodation to which the allowance relates is outside the South African common monetary area.

USE OF ASSET (OTHER THAN ACCOMMODATION OR MOTOR VEHICLE) FOR PRIVATE PURPOSES
Included in gross income:
- where employer hires asset: rental paid by employer **less** amount recovered from employee, or
- where employer owns asset: 15% per annum of the lower of cost or market value of asset **less** amount paid by employee.

RIGHT OF USE OF MOTOR VEHICLE
Included in gross income: 1,8% per month of the determined value of the vehicle. The monthly taxable benefit on any subsequent vehicle not used primarily for business purposes is 4% of the determined value of the vehicle.

The determined value is reduced by 15% (reducing balance method) for every completed 12 months, from the date the motor vehicle was first acquired by the employer to the date the employee was first granted the right of use of the motor vehicle.

Where an employee has the use of a motor vehicle and is paid a travel allowance in respect of that motor vehicle, he may not deduct any consideration paid by him from the value of the fringe benefit.

ACQUISITION OF ASSET AT LESS THAN ACTUAL VALUE
Included in gross income: market value of asset (trading stock at lower of market value or cost to employer) **less** amount paid by employee.

MEDICAL AID FUND CONTRIBUTIONS
Included in gross income: amount of employer's contribution which exceeds two-thirds of the total contribution.

INTEREST FREE OR LOW INTEREST LOANS
Included in gross income: the difference between interest at the prescribed rate and the actual amount of interest charged.

Currently the prescribed rate of interest is 14,5%.

MEALS OR REFRESHMENTS AT LESS THAN ACTUAL VALUE
Taxable value: cost to employer **less** amount paid by employee. No taxable value where meals provided on employer's premises.

ACCOMMODATION AT LESS THAN ACTUAL VALUE OF RENTAL
Taxable value: where accommodation is not owned by the employer or an associated institution in relation to the employer, the value of the accommodation for tax purposes shall be the greater of the value determined in accordance with the prescribed formula or an amount equal to the cost to the employer. Limited exceptions apply.

FREE OR CHEAP SERVICE BY EMPLOYER
Taxable value: cost to employer **less** amount paid by employee.

HOUSING SUBSIDY UNDER APPROVED SCHEME
Full amount taxable.

PAYMENT OR RELEASE OF EMPLOYEE'S DEBT
Full amount taxable.

BENEFITS GRANTED TO RELATIVES OF EMPLOYEES AND OTHERS
The benefit is deemed to have been granted to the employee and is included in gross income.

TRAVELLING ALLOWANCE
Taxable value: allowance **less** business travelling expenditure.
Business travelling expenditure may be summarised as follows:

- actual cost if acceptable calculation based on accurate data is furnished, or
- actual distance travelled on business multiplied by the rate per kilometre set out in the table below, or
- deemed distance travelled on business multiplied by the rate per kilometre set out in the table below. The total kilometres travelled is limited to 32 000 kilometres per annum with the first 14 000 kilometres deemed to be private. Business travelling expenditure may not be calculated on this basis if the allowance is paid in respect of an employer-owned vehicle.

The following table is applicable for years of assessment commencing on or after 1 March 2000, where no record of expenses is kept.

Vehicle value (including VAT)			Fixed cost	Fuel cost	Maint cost
R		R	R	C	C
1	-	30 000	16 916	23,1	17,1
30 001	-	35 000	18 984	23,5	17,3
35 001	-	40 000	21 051	23,8	17,8
40 001	-	45 000	23 116	24,3	18,5
45 001	-	50 000	25 197	24,8	19,2
50 001	-	55 000	27 670	25,3	19,9
55 001	-	60 000	29 778	25,5	20,6
60 001	-	70 000	33 873	25,9	21,3
70 001	-	80 000	38 102	26,1	22,2
80 001	-	90 000	40 538	26,3	22,7
90 001	-	100 000	44 535	26,5	23,4
100 001	-	110 000	48 533	26,8	24,1
110 001	-	120 000	51 110	27,5	24,8
120 001	-	130 000	54 990	28,1	25,5
130 001	-	140 000	58 803	28,9	26,2
140 001	-	150 000	62 677	29,4	26,9

Where the value of the vehicle exceeds R150 000
-the fixed cost shall be the sum of R62 677 plus an amount of R3 874 for every R10 000 or part thereof by which the value exceeds R150 000
-the fuel cost shall be 29,4 cents per kilometre, and
-the maintenance cost shall be 26,9 cents per kilometre

Where a reimbursive allowance is paid to the employee and the distance travelled in the vehicle for business purposes during the year of assessment does not exceed 8 000 kilometres and provided that no other compensation in the form of an allowance or reimbursement is payable by the employer to the employee in respect of the vehicle, the rate per kilometre shall at the option of the employee be 153 cents per kilometre.

CAPITAL GAINS TAX

Capital gains tax was introduced with effect from 1 October 2001. Some salient features of the proposals are:

- residents are subject to the tax on the disposal of their assets held worldwide, while nonresidents are taxed on the disposal of certain assets in South Africa
- only gains accruing after 1 October 2001 are subject to the tax, which is levied on a disposal or deemed disposal
- the first R10 000 of capital gain or loss realised by individuals per annum is excluded
- certain exemptions apply *inter alia* to primary residences, personal use assets, assurance and retirement benefits, assets of a small business disposed of for retirement, compensation for personal injury, lottery receipts, foreign currency converted for personal use, gains arising on assets donated to certain public-benefit organisations
- roll-over relief is provided for assets in certain circumstances, e.g. certain transfers between spouses or involuntary disposals
- capital gains are taxed with other income, a portion of the net capital gain being included in taxable income
- the relevant tax rates are as follows:

Taxpayer	**Inclusion rate (%)**	**Effective rate (%)**
Individuals	25	0 - 10,0
Trusts		
Unit	0	0
Special	25	0 - 10,0
Other	50	20,0
Companies		
Ordinary	50	15,0
Employment company	50	17,5
Permanent establishment	50	17,5
Small business corporation	50	7,5 - 15,0
Life assurers		
Untaxed policyholder fund	0	0
Company policyholder fund	50	15,0
Corporate fund	50	15,0
Individual policyholder fund	25	7,5

EXPORT INCENTIVES

EXPORT MARKETING INVESTMENT ASSISTANCE (EMIA)

The purpose of assistance under the EMIA scheme is to partially compensate exporters for certain costs incurred in respect of activities aimed at developing export markets for South African products and to recruit new foreign direct investment into South Africa.

To qualify the party must be registered with the South African Revenue Service and the Commissioner of Customs and Excise.

The EMIA scheme refers to certain marketing allowances involving the following:
- National pavilions
- Individual exhibition assistance
- Outward selling trade missions
- Outward investment recruitment missions
- Inward buying trade missions
- Inward investment missions
- Primary export market research
- Foreign direct investment research
- Sector specific assistance

The following criteria, *inter alia*, will be applied to applications for EMIA:
- past export/production performance of applicant
- potential export performance
- measure of export planning
- type of product for export and local marketing performance
- level of labour absorption, location of venture and technological requirements
- industry in which the venture is planned
- competence of exporter
- membership of an export council (preferable but not compulsory).

Any assistance provided under the EMIA scheme is at the sole discretion of the Chief Executive Officer of Trade and Investment South Africa (TISA), whose decision will be final.

SMALL AND MEDIUM ENTERPRISE DEVELOPMENT PROGRAMME (SMEDP)

This programme is available to entities investing up to R100 million in qualifying assets. New and expansion projects in manufacturing, tourism, certain business services, information and communication, high value agricultural projects, agro-processing, recycling, biotechnology industries and cultural industries may be considered for the incentive.

Qualifying assets are:
- leased land and buildings (capitalised at 15%)
- owned property, plant and equipment at cost
- leased machinery and equipment (as capitalised in the balance sheet)
- commercial vehicles (owned and/or leased)
- research and Development Capital Costs (as accepted by the South African Revenue Service)

Eligible projects qualify for a tax free establishment grant (paid quarterly) in the first two years calculated on the qualifying investments as follows:

Investment R million	**Assistance**	**R million**
0 - 5	10% of each R1	
5 - 15	R 500 000 + 6% of the amount over	5
15 - 30	R 1 100 000 + 4% of the amount over	15
30 - 50	R 1 700 000 + 3% of the amount over	30
50 - 75	R 2 300 000 + 2% of the amount over	50
75 - 100	R 2 800 000 + 1% of the amount over	75

An additional grant for one year (third year) will be extended if the ratio between the labour cost and the value added is $ 30%.

Qualifying investments have the following minimum equity requirements:
- 10% for projects with qualifying fixed assets up to R5 million
- 25% for projects with qualifying fixed assets between R5 million and R15 million
- 35% for projects with qualifying fixed assets above R15 million
- shareholders' loans will not be included in the calculation of equity if it has been ceded to a third party.

SKILLS SUPPORT PROGRAMME (SSP)

This programme provides for a three year cash grant to the value of 50% of the cost of training new staff for a new or expansion project. The grant is limited to 30% of the annual wage bill. The enterprise must have an approved training programme. Payment is on a performance basis. The programme also makes provision for a capital grant to acquire training equipment and course materials.

The scheme supports the following activities:
- procuring training equipment
- developing course material
- delivering instruction
- upgrading the teaching competence of instructors
- printing course material
- establishing training facilities/institutes
- designing national standards and qualifications for learnerships.

FOREIGN INVESTMENT GRANT (FIG)

This programme provides for a cash grant to assist foreign investors with the cost of relocating new machinery and equipment from overseas to South Africa.

It is available to foreign investors with a shareholding of at least 50%. Furthermore, applicants will only be supported if they also qualify for SMEDP.

The grant is the lower of 15% of the value of the new machinery and equipment or the actual relocation costs up to a maximum of R3 million.

STRATEGIC INVESTMENT PROGRAMME (SIP)

This programme provides for an additional investment allowance.

The allowance is granted for industrial assets described as follows:
- previously unused plant and machinery
- previously unused buildings and/or additional improvements, which will be wholly or mainly used in conducting the strategic investment project.

To qualify for the SIP benefits, an investment project must first pass a set of mandatory conditions:
- classification in certain industrial sectors
- non-displacement of existing production by more than 40% of project’s production
- long term commercial viability

- investment must be at least R50 million or expansions must be at least R50 million and the new production must be at least 35% larger than the existing production capacity
- the project may not receive concurrent benefits through any additional investment scheme.

Having satisfied the mandatory criteria listed above, the project is evaluated according to a points system and the following criteria are taken into account:

- Upgrading an existing industry
  - new product or process (1 point)
  - key component to related existing industrial project (1 point)
  - value-adding process (1 point)
- General business linkages
  - contracting with small, medium or micro enterprises (SMMEs) (1 or 2 points)
  - provision of public infrastructure (1 point)
- Employment
  - direct and indirect employment creation (4 points).

Points-based criteria

• 0 - 3 points	The project does not qualify for an investment allowance
• 4 - 5 points	The project qualifies for a 50% investment allowance up to a maximum of R300 million ('qualified' status)
• 6 points or more	The project qualifies for a 100% investment allowance up to a maximum of R600 million ('preferred' status)

SMALL BUSINESS DEVELOPMENT

The full cost of any investment in manufacturing assets made by a small business corporation, as defined in the Income Tax Act, may be deducted in the year in which the asset is brought into use by the taxpayer for the first time. This applies to assets brought into use for the first time on or after 1 April 2001.

EXCHANGE CONTROL

CURRENT ALLOWANCES

- **TRAVEL ALLOWANCES**

Holiday and business travel

- adults	R160 000 per annum
- children under age of 12	R 50 000 per annum

Bank notes

Export limit for South African bank notes intended for use upon return to South Africa	R 5 000

Calendar year

Travel allowances not utilised during any one calendar year may not be carried forward to the following year. Where an allowance is provided in one year and the visit extends over the year end, a full allowance is still available for any subsequent travel during the second year, provided the traveller has first returned to South Africa.

Credit cards

Up to 100% of the available travel allowance may be utilised by means of credit cards issued in the name of the traveller.

Omnibus travel facilities

Up to R2 million per calendar year for allocation at the discretion of the firm/company.

- **FOREIGN TRANSACTIONS BY RESIDENTS**

Investments - Individuals

- over 18 years of age	R750 000
- participation in share incentive schemes of foreign parent company	R750 000 per employee of local subsidiary or branch of foreign parent company

Investments - Corporate entities	
- investments	R1 billion per investment
- projects in African countries	R2 billion per project
- retention of export proceeds	maximum of 180 days from date of shipment or date of rendering of service
Portfolio investments	
- institutions	15% of total assets
- unit trust management companies	20% of total assets
Internet transactions	R 20 000 per transaction via credit/debit card
Payment for imports	R 50 000 per transaction on a cash with order basis
Advance payment of imports of capital goods	Up to **a** of ex-factory cost
Temporary residence abroad	Travel allowance and personal and household effects up to insured value of R1 million

- **STUDY ALLOWANCES**

Unmarried persons	
- basic	R160 000 per annum plus cost of tuition
- vacation allowance	R 50 000 per annum
Married persons	
- basic	R320 000 per annum plus cost of tuition
- vacation allowance	R100 000 per annum

- **GIFTS**

To nonresidents and students	R 30 000 per annum

- **MAINTENANCE**

To mothers, fathers, brothers and sisters	R 9 000 per month per family

- **ALIMONY** — R 9 000 per month plus amounts in terms of a court order

- **WEDDING EXPENSES AND BAR/BAT MITZVAH CEREMONIES** — R 50 000 per occasion

EMIGRANTS

ALLOWANCES

Settling-in allowance

• family unit	R1,5 million
• single person	R750 000

Household, personal effects and motor vehicles (excluding Kruger coins)	R1 million

Cash allowance (equivalent to travel allowance)

• adults	R160 000
• children under age of 12	R 50 000

The above allowances are available after taking into account prior capital transfers.

BLOCKED ASSETS

The emigrant's assets, after payment of the settling-in allowance, remain blocked and fall under the control of an authorised dealer. While such blocked assets may be retained in their existing form, the subsequent reinvestment thereof will generally require the prior approval of exchange control unless the investment is made via the prescribed avenues e.g. with authorised dealers, in government, municipal and public utility stock, in quoted shares and unit trusts.

The following disbursements, which are not exhaustive, may be paid from blocked funds:

- air fares to a local travel agent
- living expenses while on visit to South Africa to a maximum of R75 000 per annum per family unit (R1 500 per child and R3 000 per adult daily)
- tuition and boarding fees in respect of children who have remained in South Africa or returned to complete studies
- income tax assessment on income earned prior to emigration
- rates and taxes on vacant land (non income earning)
- insurance policy premiums on policies taken out prior to departure if the subsequent proceeds are paid into a blocked account
- gifts, donations and maintenance to third parties resident in South Africa up to R100 000 per annum
- maintenance and alterations to fixed property up to R100 000 per annum
- professional fees to residents in respect of services rendered in connection with the blocked assets
- margin calls due to Safex Clearing Company (Pty) Ltd
- option monies payable by emigrants
- local charges of winding up the South African estate of an emigrant, where the estate has insufficient cash funds
- expenses in connection with emigration e.g. packaging and moving expenses
- membership subscriptions to professional, engineering and technical societies
- maintenance to a local resident in terms of a court order
- medical expenses for an emigrant family unit, incurred in South Africa during return visits
- brokerage and all other directly related charges levied on marketable security transactions
- investment in further bonds from the proceeds of mortgage bonds.

LIBERALISATION OF BLOCKED ASSETS

Emigrants can, on application, request to transfer blocked assets in excess of the limit of R1 500 000 per family unit or R750 000 per single person, subject to an exiting schedule, at the discretion of exchange control, and an exit charge of 10% of the amount.

REMITTANCE OF INCOME

There is no limitation on the remittance of transferable income.

DIRECTORS'/MEMBERS' FEES

Directors' and members' fees may be remitted, without limit, upon production of a resolution from the company or close corporation approving such fees, provided that the recipients are permanently domiciled outside the Republic.

MANAGEMENT FEES, LICENCES AND ROYALTIES

Prior exchange control approval is required and will be granted depending on the basis on which the amounts are calculated and their decision as to whether the payments are merited.

DIVIDENDS

Trading profits and dividends earned on investments are transferable to nonresidents provided such income was earned after 1 January 1984 or date of emigration, whichever is the later.

Dividends from private companies and close corporations are transferable only on submission of the specified auditors' report and representation letter. Dividends from 'affected' companies with local borrowing require prior exchange control approval.

INTEREST

Interest may be remitted upon evidence of indebtedness, provided the rate is reasonable (generally not exceeding the prime overdraft rate).

OTHER REMITTABLE INCOME

- cash bonuses on assurance policies
- monthly pensions from a registered pension fund
- income from an inter vivos trust, subject to exchange control approval
- net rental on fixed property
- income from a testamentary trust
- refunds of income tax paid on post emigration income
- income distributions from close corporations
- the difference between the purchase price and maturity value of quoted gilts
- annuities from retirement annuity funds provided that the policy was initiated more than 5 years prior to emigration. For policies initiated within 5 years of emigration, only the actuarially calculated income portion may be remitted
- refunds of income tax on income earned prior to emigration up to R25 000.

DISTRIBUTIONS TO NONRESIDENTS FROM DECEASED ESTATES

Bequests and legacies to nonresidents from estates of permanent residents are freely remittable.

INTER VIVOS TRUSTS

Income and capital may be transferred to nonresident beneficiaries from inter vivos trusts as follows:

OWN ASSET TRUSTS

Emigrants

Income distributions are freely transferable to beneficiaries. Any capital distributions must be credited to the blocked account of the beneficiary. Exchange control approval is required to establish a trust of this nature after emigration.

Original nonresidents

Income and capital is not transferable while the funder is alive but is credited to the nonresident's blocked account. On the death of the funder, a distribution from the trust becomes a legacy, and capital and income are freely transferable to the beneficiary.

THIRD PARTY FUNDED TRUSTS

Emigrants - Income

Where funding of the trust took place more than five years prior to emigration, the income is freely transferable. Where funding took place less than five years prior to emigration, income distributions must be credited to the blocked account of the beneficiary.

Emigrants - Capital

Distributions must be credited to the blocked account of the beneficiary if the funder is alive, or if the funder is deceased and the beneficiary has previously received income from the trust. Distributions are transferable if the beneficiary has not previously benefited from the trust and the funder is deceased.

EXCHANGE CONTROL AMNESTY

An opportunity will be offered to individuals who hold foreign assets in contravention of exchange control regulations, to regularise their affairs, subject to the following conditions:

- amnesty applications must be filed with an authorised dealer between 1 May 2003 and 31 October 2003
- individuals applying for amnesty relief are released from all civil penalties and criminal liability stemming from the illegal shifting of funds offshore in contravention of exchange controls on or before 28 February 2002

- individuals applying for amnesty relief will be subject to a charge of 5% of funds repatriated to South Africa or a charge of 10% on assets remaining offshore. A 0% charge will apply to all assets that can be legally held offshore under normal exchange control regulations
- individuals applying for Income Tax amnesty must at the same time lodge their income tax return for the year ending 28 February 2003, fully disclosing all foreign assets and related income.

RESTRICTION ON LOCAL BORROWINGS

Entities comprising companies, close corporations, trusts, partnerships or estates with foreign control or beneficial interest of 75% or more are ‘affected persons’ and are limited in their local borrowing facilities by a formula dependent on the extent of the ‘affected capital’ of the borrower.

‘Affected capital’ includes the aggregate of:
- issued share capital and share premium
- realised non-distributable reserves
- distributable reserves
- shareholders' loans to the extent that local and foreign shareholders' loans are in proportion to their shareholding
- deferred tax balance.

‘Local borrowings’ include the aggregate of:
- overdrafts
- mortgage bonds
- instalment sales or leases
- suretyships
- discounting
- factoring
- local acceptance credits
- guarantees
- buybacks
- leasebacks.

The local borrowing formula is:

$$\left[\ 100\%\ \%\ \frac{\textit{South African \% interest}}{\textit{Nonresident \% interest}} \times 100\%\ \right] \times \textit{affected capital}$$

ESTATE DUTY

Estate duty is calculated at a rate of 20% on the 'dutiable amount' of a deceased's estate. This amount is arrived at as follows:

Determine the total value of the estate which includes all property of the deceased at date of death (property means any right in or to property, movable or immovable, corporeal or incorporeal) and all property deemed to be the property of the deceased, which includes proceeds of domestic insurance policies, benefits other than annuities payable by any pension, provident and retirement annuity fund, donations mortis causa and accruals under the Matrimonial Property Act.

Deduct from the total value of the estate the various deductions permitted in terms of Section 4 of the Estate Duty Act, to ascertain the dutiable amount of the estate.

The principal deductions include the following:
- funeral and death bed expenses
- debts and other liabilities due by the deceased
- costs incurred in the administration and liquidation of the estate
- legacies to religious, charitable and educational institutions
- an abatement of R1 500 000
- dispositions between spouses.

The definition of 'spouse' has been amended to include a person who was the partner of the deceased at the time of death:
- in a marriage or customary union recognised in terms of the laws of the Republic
- in a union recognised as a marriage entered into in accordance with the tenets of any religion or
- in a permanent same-sex or heterosexual union.

Provision is made for a rebate of the duty payable if the dutiable amount includes any property which has also been included in the dutiable estate of another person who died within a period of 10 years prior to the deceased's death.

Where spouses are married in community of property, upon the death of one of them, only half of the joint estate is subject to estate duty. If the estate of the first dying is left to the surviving spouse no estate duty is payable thereon. Estate duty will be levied on the estate of the last dying spouse.

DONATIONS TAX

Donations tax is payable under the Income Tax Act by a donor (persons ordinarily resident in South Africa or domestic companies) at 20% on the value of all property (assets) gratuitously disposed of, including property disposed of for an inadequate consideration.

The principal exemptions from this tax are:
- donations between spouses (if not separated)
- donations to certain public benefit organisations
- casual gifts up to R10 000 during the year of assessment made by a donor who is not a natural person
- donations up to R30 000 during the year of assessment made by a donor who is a natural person
- bona fide payments for maintenance
- donations by public companies (as defined in the Income Tax Act)
- donations where the donee will not benefit until the death of the donor.

TRANSFER DUTY ON IMMOVABLE PROPERTY

With effect from 1 March 2003 the following transfer duty is payable on transactions not subject to VAT:

- Acquisitions of property by natural persons

Value	Rates	
R 1 - 140 000	No duty to be paid	
R 140 001 - 320 000	5% of the value above	R 140 000
R 320 000 +	R 9 000 + 8% of the value above	R 320 000

- Acquisitions of property by persons other than natural persons (this includes trusts):
  - 10% of the value.

RETENTION OF DOCUMENTS AND RECORDS

COMPANIES/CLOSE CORPORATIONS	RETENTION PERIOD
Certificate of incorporation Certificate of change of name Memorandum and articles of association Certificate to commence business Minute book, CM25 and CM26, and resolutions passed at general meetings Founding statement (CK1) Amended founding statements (CK2 and CK2A) Minute book and resolutions passed at meetings	Indefinite
Annual financial statements Books of account Supporting schedules to books of account and ancillary books of account Registers e.g. members, directors and fixed assets	15 years
Proxy forms	3 years
OTHER	
Personnel records Salary and wage registers	5 years 5 years
Invoices - sales and purchases Bank statements and vouchers Stock sheets Year end working papers VAT records Other vouchers and general correspondence	5 years 5 years 5 years 5 years 5 years 4 years

- The above list is not exhaustive.
- The retention periods commence from the later of the date of the last entry and the date upon which the income tax return relevant to the last entry in such record was submitted to the South African Revenue Service.

PRIME OVERDRAFT RATES

14 September 2002	17,00%
14 June 2002	16,00%
18 March 2002	15,00%
16 January 2002	14,00%
25 September 2001	13,00%
16 July 2001	13,50%
18 June 2001	13,75%
25 January 2000	14,50%
04 October 1999	15,50%
02 August 1999	16,50%
14 July 1999	17,50%
25 June 1999	18,00%
26 April 1999	19,00%
15 March 1999	20,00%
08 February 1999	21,00%
11 January 1999	22,00%
14 December 1998	23,00%
09 November 1998	23,50%
19 October 1998	24,50%
29 August 1998	25,50%
14 July 1998	24,00%

LIMITATIONS ON INTEREST RATES IN TERMS OF THE USURY ACT

Capital amount	Changes effective from		
	11 Oct 2002	**07 Sep 2001**	**24 Mar 2000**
R 1 - 6 000	29%	24%	25%
R 6 001 - 10 000	29%	24%	22%
R 10 001 - 5 00 000	26%	21%	22%
R500 000 +	No limit	No limit	No limit

FOREIGN EXCHANGE RATES

R1 equivalent to	28 Feb 2003	31 Dec 2002	30 Jun 2002	31 Mar 2002	28 Feb 2002
United States Dollar	0,1231	0,1156	0,0962	0,0872	0,0873
British Pound	0,0775	0,0720	0,0630	0,0611	0,0615
Euro	0,1134	0,1102	0,0973	0,0997	0,1010
Australian Dollar	0,2026	0,2054	0,1712	0,1646	0,1696
Japanese Yen	14,415	13,784	11,546	11,612	11,736
Swiss Franc	0,1667	0,1613	0,1441	0,1470	0,1496
Botswana Pula	0,6400	0,6332	0,6041	0,5942	0,5957
Zambian Kwacha	645,703	534,356	452,657	410,596	337,956
Zimbabwean Dollar	6,9048	6,5100	5,4100	4,8700	4,8700

VALUE ADDED TAX - SELECTED ASPECTS

VAT is a tax levied on the supply of goods and services by vendors in the course or furtherance of an enterprise.

Any person whose total value of taxable supplies exceeds the limit of R300 000 per annum must register for VAT. Persons with taxable supplies between R20 000 and R300 000 may register voluntarily.

There are currently two rates of VAT:

• Standard rate	14%
• Zero rate	0%

ZERO RATED SUPPLIES

ZERO RATED GOODS

- goods which are exported
- goods supplied in the course of repairing, renovating, modifying or treating any goods temporarily admitted into South Africa, provided that the goods supplied either become part of the other goods or are consumed in the repair process
- goods supplied under a rental agreement for use exclusively in an export country
- the supply of an enterprise or part thereof as a going concern provided certain conditions are met
- illuminating paraffin
- petrol or crude oil which is subject to the fuel levy
- supply of goods to a foreign branch of a South African company
- certain foodstuffs
- supply of gold to the Reserve Bank, Mint or a registered bank
- farming inputs specified in Schedule 2 of the Value-Added Tax Act. These include animal feed, fertilizer, pesticide, dips, plants and seed
- goods supplied to an industrial development zone.

ZERO RATED SERVICES

- the transport of passengers or goods outside South Africa or from South Africa to an export country or from an export country to South Africa
- the transport of passengers within South Africa by aircraft as part of an international air journey
- supply of services to nonresidents who are outside South Africa when the service is rendered; services in connection with land or improvements thereon are excluded

- supply of services to foreign-going ships
- the transport of goods between places in South Africa supplied as part of international transport of passengers
- the insuring or arranging of insurance or the arranging of the transport of passengers or goods internationally
- supply of services directly in connection with land or any improvement thereto in an export country
- supply of services in respect of movable property in an export country; goods which are exempt from tax and are temporarily admitted into South Africa from an export country; repair, maintenance, cleaning or reconditioning of a foreign-going ship or aircraft
- supply of services rendered to trains operated by nonresidents
- supply of services rendered outside South Africa
- supply of rights such as patents, designs, trademarks, copyright or similar rights for use outside South Africa
- supply of services by welfare bodies to government and local authorities
- supply of services by a South African enterprise to a foreign branch
- supply of services to a public authority to the extent that the payment consists of a transfer payment.

EXEMPT SUPPLIES

As exempt supplies are not taxable supplies, the VAT on inputs which directly relates to those exempt supplies cannot be recovered from the South African Revenue Service, unless the value of the vendor's exempt supplies is **less** than 5% of the vendor's total supplies during a twelve month period.

TYPES OF EXEMPT SUPPLIES

- supply of certain **financial services**:
  - premiums payable in respect of life policies and contributions to pension, provident, retirement annuity and medical aid funds
  - compulsory charges included in the selling price of unit trust units
- supply by an **association not for gain** of donated goods and services or where the association manufactures such goods, if at least 80% of the value of materials used consists of donated goods
- supply of **residential accommodation** in a dwelling under a letting or hiring agreement, or where any employer permits his employee to occupy the accommodation as a fringe benefit for a period agreed upon by the supplier and the recipient
- supply of **leasehold land** for existing dwellings or the erection of dwellings
- sale or letting of land outside South Africa
- supply of **services to members** of a sectional title, shareblock or old aged home scheme

- supply of **transport services** to fare paying passengers by road or rail
- supply of **educational and subordinate services** by the State, Provincial Administration and institutions of a public character. Subordinate services include any goods or services which are necessary and/or incidental to the supply of educational services (including board and lodging) where they are not supplied for a consideration other than the payment of school fees.

INPUT TAX

DENIAL OF INPUT TAX

In the following circumstances the input tax paid by the vendor will not be recoverable:

- goods or services acquired for the purposes of entertainment
  - this includes food, beverages, recreation, accommodation, and hospitality
  - this does not apply to a vendor carrying on an entertainment business or to supplies acquired in respect of employees who are required to be away from their usual residence on business
- subscriptions paid in respect of membership of any club
- the amount paid in respect of the purchase of a passenger motor vehicle.

No input tax may be deducted in respect of a supply unless:

- a tax invoice, debit note or credit note is held by the vendor, or
- in the case of second hand or repossessed goods, there are sufficient records of the transaction.

A tax invoice is not required if progressive regular payments are made in terms of a written contract and:

- the vendor is in possession of the contract
- the contract contains the supplier's name, address and registration number
- proof of regular payments is retained.

DOCUMENTATION

TAX INVOICES

Tax invoice requirements have been split into three categories:
- full tax invoice for supplies over R1 000
- an abridged tax invoice for supplies between R50 and R1 000
- no tax invoice for supplies not exceeding R50.

The following information is required on a **full tax invoice**:
- the words ‘Tax Invoice’ in a prominent place
- name, address and registration number of the supplier
- name, address and registration number of the recipient
- an individual serialised number and the date when issued
- a description of the goods or services supplied
- the quantity or volume of goods or services supplied
- the value of the supply, the amount of tax charged and the total consideration for the supply, or the total consideration for the supply and a statement that the consideration includes VAT at a rate of 14%.

The following information is required on an **abridged tax invoice**:
- the words ‘Tax Invoice’ in a prominent place
- name and registration number of the supplier
- an individual serialised number and the date when issued
- a description of the goods or services supplied
- the value of the supply, the amount of tax charged and the total consideration for the supply, or the total consideration for the supply and a statement that the consideration includes VAT at a rate of 14%.

SPECIAL CASES

COMPANY CARS

VAT on the fringe benefit of a company car is based on the cost of the car (excluding interest, finance charges and VAT).

The deemed consideration inclusive of VAT is as follows:
- passenger vehicles - 0,3% per month
- bakkies/pickups - 0,6% per month.

Should the employee bear the full cost of maintenance, the deemed consideration may be reduced by the lesser of:
- R85, or
- R85 x taxable use as a percentage of total use, or
- the deemed consideration as determined above.

PROPERTY TRANSACTIONS
The general rule is that the sale of fixed property by a vendor in the course of his enterprise will be subject to VAT.

VAT implications of property transactions may be summarised in tabular form as follows:

		PURCHASER	
		VENDOR	NON VENDOR
SELLER	VENDOR	- VAT payable by purchaser - Input tax credit claimed by purchaser - If sale of a going concern then sale is zero rated i.e. no VAT payable by the purchaser - No transfer duty payable	- VAT payable by purchaser - On subsequent registration as a vendor, purchaser may claim deemed input tax - No transfer duty payable
SELLER	NON VENDOR	- No VAT payable - Notional input tax credit equal to transfer duty payable, if property acquired for purpose of purchaser's enterprise - Transfer duty payable by purchaser	- No VAT payable - On subsequent registration as a vendor, purchaser may claim deemed input tax equal to transfer duty payable - Transfer duty payable by purchaser

- **Sale of sectional title units**
  - sale by a vendor in the course of his enterprise will be subject to VAT
  - sale by a non-vendor of a property held as a capital asset will not attract VAT.
- **Sale of shares in a shareblock scheme**
  - the sale of shares in a shareblock scheme is specifically excluded from the exemptions relating to financial services. The sale of these shares in the course of an enterprise will therefore be subject to VAT.
- **Sale of timeshare**
  - a timeshare interest is included in the definition of fixed property. The sale of such interest by a vendor in the course of his enterprise will be subject to VAT.
- **Sale of hybrid or mixed use properties**

Where a building is let mainly to commercial tenants and the purchaser and seller are VAT vendors:

- the transaction is zero rated
- the purchaser must pay deemed output tax on the tax fraction of the residential component
- the seller may be entitled to an input tax adjustment of the tax fraction of the original cost of the residential component.

Where a building is let mainly to residential tenants and the purchaser and seller are VAT vendors:

- the full purchase price is subject to VAT
- the purchaser can claim an input tax credit on the commercial component
- the seller may be entitled to an input tax adjustment of the tax fraction of the original cost of the residential component.

Where a mixed use building is sold to a VAT vendor who is a property trader:

- the purchaser is entitled to a full input tax credit
- the seller may be entitled to an input tax adjustment of the tax fraction of the original cost of the residential component.

Time of supply

The earlier of:

- date of registration of the transfer, and
- date on which any payment is made in respect of the consideration for the supply.

SKILLS DEVELOPMENT LEVY

REGISTRATION

It is compulsory for every business currently registered with the South African Revenue Service as an employer or whose payroll exceeds R250 000 per annum, to register.

LEVIES PAYABLE

The levy is payable monthly on total remuneration at a rate of 1%.

Remuneration is defined in the Fourth Schedule to the Income Tax Act and includes *inter alia* salaries, overtime, leave pay, bonuses, allowances, commissions and fees.

Certain important exclusions from remuneration are:

- any amount paid to an independent contractor
- any pension or allowance paid in terms of the following Acts:
  - Aged Persons Act
  - Blind Persons Act
  - Disability Grants Act
  - Childrens Act
- reimbursements to employees for actual business expenses incurred
- any annuity paid under an order of divorce or decree of judicial separation or under any agreement of separation
- any amount paid to a learner in terms of contract of employment as contemplated in the Skills Development Act.

Levies are payable on or before the 7th day after the end of the month for which the levy is due. Late payments incur a 10% penalty as well as interest at the prescribed rate, calculated on a daily basis.

GRANTS TO EMPLOYERS

Grants of up to 50% of the levy paid are available to employers if certain requirements are met.