

SAACI Conference 2008

Tax Planning for Individuals and Corporates*

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*connectedthinking



INTRODUCTION

•Presentation framework:

- Tax Avoidance and Tax Evasion
- Tax framework for Individuals
- Tax framework for Corporates

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Tax Avoidance

Obligation to pay

- Duke of Westminster v IRC

Tax evasion

- Unlawful

Tax avoidance

- Lawful

Legislative prohibitions

- Specific, general



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Individuals

Framework for calculation of tax liability:

Gross income	Rx
Less exempt income	(Rx)
Income	Rx
Less allowable deductions	Rx
Add taxable capital gains	Rx
Taxable Income	Rx
Tax per tables	% x Rx (taxable income)
Less rebates	(Rx)
Tax payable	Rx

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Individuals



Methods of tax collection

- Employees Tax
 - Remuneration from employment
 - SITE < R60,000
 - PAYE > R60,000
- Provisional Tax
 - Non-remuneration income
 - Advance payment
- Assessment

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Individuals

Employment income

- Limited deductions
 - Medical
 - Pension/RA
 - Debts
 - Income protection
 - Other

Sole traders/other income

- More deductions allowed



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Individuals

Medical deductions:

- Over 65: unlimited
- Disability: unlimited
- Under 65:
 - Medical scheme contributions (per month):

	2008	2009
• Taxpayer	R530	R570
• 1 st Dependent	R530	R570
• Each additional dependent	R320	R345
 - Other medical expenses
 - 7.5% taxable income threshold

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Individuals



Pension/retirement annuity deductions:

- Pension fund
 - Limits apply
- Retirement annuity
 - Limits apply
- Provident fund: no deductions

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Individuals

Fringe benefits

- Benefits from employers
- Paid in form other than cash
- Included in gross income
- Value determinable: 7th Schedule

Travel allowances

- Business travel
- Deemed mileage/logbook



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Individuals

Working from home

- Domestic/private expenditure not allowed
- BUT:
 - Portion of home used for trade purposes
 - Proportional expenses may be claimed
 - Regular, exclusive use
 - Income variable, commission-based, working at home a requirement

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Individuals

General matters:

- Tax rates – sliding scale
- Rebates:

	2008	2009
Primary (< 65)	R7,740	R8,280
Additional (> 65)	R4,680	R5,040

- Tax threshold:

	2008	2009
< 65	R43,000	R46,000
> 65	R69,000	R74,000

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Individuals

General matters continued:

- Interest exemption:

	2008	2009
< 65	R26,000	R27,500
> 65 (additional)	R18,000	R19,000

- Dividends: Exempt income
- Tax year: March to February

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Corporate entities



Nature of entities

- Companies
- Close Corporations
- Trusts

Liable for normal tax

Year end

- Tax year corresponds with financial year

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Corporate Entities

Companies

- Directors, shareholders
- Annual audit
- Limited liability
- Tax rate 28% (2009), 29% (2008)
- No rebates, interest exemption
- Distribution of profits: STC 10%
- Effective CGT rate: 14% (2009), 14.5% (2008)

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Corporate Entities

Close Corporations

- Maximum 10 members
- No directors
- No annual audit – accounting
- Limited liability
- Tax rate 29% (2009), 28% (2008)
- No rebates, interest exemption
- Distribution of profits: STC 10%
- Effective CGT rate: 14% (2009), 14.5% (2008)

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Corporate Entities

Trusts

- Not separate legal entity
- Trustees, Beneficiaries
- "Person" for tax purposes
- Tax rate 40% BUT can distribute income to beneficiaries
- Flexibility
- No rebates, interest exemption
- No STC
- Effective CGT rate: 20%



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Corporate Entities



Small business

- Small business corporations
 - Gross income limit
 - Sliding scale of taxation
- Proposed "turnover tax"
 - Tax based on turnover
 - Turnover cannot > R1 million
 - Elective, subject to conditions
 - Effective date to be confirmed

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Thank you!

Questions?

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