

2010 BUDGET SUMMARY

Mr Pravin Gordhan, The Minister of Finance, in his first Budget announced that he had provided tax relief of R6.5 billion in personal income tax relief to individuals, mostly to taxpayers in the lower income brackets. The budget emphasised that the preferred method of achieving higher tax revenues was through base broadening, closing loopholes and improving tax compliance.

The amendments affecting individuals and post-retirement conversion of annuities into lump sums explained.

Amendments affecting Individuals

- Tax Rates**
Both the minimum marginal rate of 18% and the maximum marginal rate of 40% remained unchanged. The upper level of the band to which the 18% rate applies has been increased from R132 000 to R140 000 and the level at which the maximum rate is applicable has been increased from R525 000 to R552 000. The intervening brackets have all been adjusted upwards.
- Rebates**
The primary rebate is increased from R9 756 to R10 260, whilst the secondary rebate for individuals aged 65 years or older increased from R5 400 to R5 675.
- Interest & Dividend exemption**
The interest exemption for individuals increases from R21 000 to R22 300 for individuals under the age of 65 and from R30 000 to R32 000 for individuals over the age of 65. The exemption in respect of foreign interest and taxable foreign dividends increases from R3 500 to R3 700 of the total exemption limit.
- Medical expenses**
The deductible portion of monthly contributions has increased for the first two beneficiaries from R625 to R670 and for each additional beneficiary from R380 to R410.
- Travel Allowance**
The deemed business kilometre method for claiming against fixed travel allowances will be discontinued from 1 March 2010. Taxpayers will only be able to claim business travel expenses based on use of a logbook. The deemed cost tables for travel allowances has remained the same as well as the deemed tax free reimbursive rate for business travel (R2,92 per kilometre) for business kilometres not exceeding 8 000 kilometres per annum.

From 1 March 2010 80% (previously 60%) of employees' fixed travel allowances must be included in their remuneration for purposes of calculating PAYE.
- Post-retirement conversion of annuities into lump sums**
Retirement savings lump sums currently benefit from a special rates table that includes a R300,000 exemption. This table mainly applies when a lump sum payout occurs upon a member's retirement or death. However, lump sum payouts may occur after retirement if a post-retirement annuity is subsequently converted into a lump sum.

Currently the post-retirement annuity is taxed at marginal rates according to the withdrawal table resulting in additional tax being incurred. It is proposed that this method be amended and that post-retirement commutation from an annuity receive the same treatment under the special rates table.

Ends