Tuffias
SANDBERG

CHARTERED ACCOUNTANTS (SA)
REGISTERED AUDITORS

2007 / 2008

Budget summary & Financial information

Real People. Real Solutions.

CONTENTS

BUDGET PROPOSALS

Tabled by the Minister of Finance on 21 February 2007:

INDIVIDUAL TAX

Rebates
The primary rebate has increased to R7 740 (2007 – R7 200). Additional rebate (65 and over) has increased to R4 680 (2007 – R4 500).

Tax brackets
The tax brackets have been restructured to increase the tax threshold at which the maximum rate is reached to R450 000 (2007 – R400 000). Tax thresholds have been increased for persons under 65 to R43 000 (2007 – R40 000) and for persons 65 and over to R69 000 (2007 – R65 000).

Interest
Interest earned by natural persons under 65 is exempt up to R18 000 (2007 – R16 500) and persons 65 and over to R26 000 (2007 – R24 500).

Foreign interest and dividends are exempt up to R3 000 (2007 – R2 500).

Medical scheme contributions
Monthly tax deductible contributions for a member and first dependent have increased to R530 (2007 – R500) and for each dependent thereafter to R320 (2007 – R300).

Lump sum death benefits
It is proposed that payments in respect of death caused by an occupational injury to be tax exempt up to R300 000.

Estate duty
The estate duty exemption has been increased to R3,5 million (2007 – R2,5 million) with effect from 1 March 2007.

Donations tax
The exempt portion of donations by a natural person has been increased to R100 000 (2007 – R50 000).

Annual exclusion of capital gains
The annual exclusion has been increased to R15 000 (2007 – R12 500) and in the year of death to R120 000 (2007 – R60 000).

RETIREMENT FUND TAX
No tax will be imposed on interest or rental income of retirement funds from 1 March 2007 (previously 9%).

DONATIONS TO PUBLIC BENEFIT ORGANISATIONS
Annual deductions for donations to PBO's have increased to 10% (previously 5%) of taxable income.

CAPITAL GAINS TAX
The gain or loss on the sale of shares held for more than 3 years is treated as capital.

SMALL BUSINESS CORPORATIONS
After 1 April 2007 small business corporations will pay no tax on first R43 000 (2007 – R40 000), 10% in the range R43 000 to R300 000 (2007 – R40 000 to R300 000) and 29% thereafter.

DIVIDEND TAX (previously Secondary tax on companies)
With effect from 1 October 2007, STC will be replaced with a dividend tax at a company level at a rate of 10% (previously 12,5%). The dividend tax will be converted from a company level to shareholder level when international treaties have been renegotiated.

COMMERCIAL BUILDINGS DEPRECIATION
Commercial buildings may be depreciated over 20 years.

EXCHANGE CONTROL
Offshore direct investment by companies
The exchange control requirement that South African companies own the majority of the shareholding in foreign entities has been reduced to 25%.

COMPANIES AND CLOSE CORPORATIONS

Normal tax rate for years of assessment after 31 March 2007	
Companies and close corporations	29%
Small business corporations	
On first R43 000	0%
From R43 001 to R300 000	10%
Thereafter	29%
Employment companies	34%
Foreign companies with South African activities	34%
South African branches of foreign companies	34%
Dividend tax	
On dividends declared on or after 1 October 2007	10%
Secondary tax on companies	
Distributions after 14 March 1996 to 30 September 2007	12,5%
Normal tax rate for years of assessment after 31 March 2006	
Companies and close corporations	29%
Small business corporations	
On first R40 000	0%
From R40 001 to R300 000	10%
Thereafter	29%
Employment companies	34%
South African branches of foreign companies	34%

TRUSTS OTHER THAN SPECIAL TRUSTS

Normal tax rate	
For years ended 28 February 2003 to 2008	40%

No primary rebate or interest exemption

SPECIAL TRUSTS

Same rate as individuals.

No primary rebate or interest exemption.

Defined as one created solely for the benefit of a person suffering from a severe mental illness or physical disability, or a testamentary trust established solely for the benefit of minor children related to the deceased.

TAX TABLES

For the year ended 29 February 2008

R	R		
0 – 112 500		18% of each R1	
112 501 – 180 000	20 250 +	25% of the amount over	112 500
180 001 – 250 000	37 125 +	30% of the amount over	180 000
250 001 – 350 000	58 125 +	35% of the amount over	250 000
350 001 – 450 000	93 125 +	38% of the amount over	350 000
450 001 and over	131 125 +	40% of the amount over	450 000

For the year ended 28 February 2007

R	R		
0 – 100 000		18% of each R1	
100 001 – 160 000	18 000 +	25% of the amount over	100 000
160 001 – 220 000	33 000 +	30% of the amount over	160 000
220 001 – 300 000	51 000 +	35% of the amount over	220 000
300 001 – 400 000	79 000 +	38% of the amount over	300 000
400 001 and over	117 000 +	40% of the amount over	400 000

REBATES

	2008	**2007**
Primary	R7 740	R7 200
65 and over	R4 680	R4 500

TAX THRESHOLDS

Below 65	R43 000	R40 000
65 and over	R69 000	R65 000

EXEMPT INCOME

Limited to

Local interest		
Below 65	R18 000	R16 500
65 and over	R26 000	R24 500
Foreign interest and dividends	R3 000	R2 500

Dividends and distributions by close corporations.

Interest earned by non-residents not carrying on business in South Africa.

War and certain disability pensions.

Pensions received from sources outside South Africa.

Unemployment and Workmen’s Compensation benefits.

Lump sum gratuities	R30 000	R30 000

On retirement.
On terminating employment as result of ill health.
On redundancy in certain circumstances.

DEDUCTIONS

Pension fund contributions

Greater of: R1 750, or
7,5% of income from retirement funding employment.

Retirement annuity fund contributions

Greater of: R1 750, or
R3 500 less current pension fund contributions, or
15% of income from non-retirement funding employment.

Reinstated fund contributions are limited to R1 800, whilst excess contributions may be carried forward to the following year.

Medical and physical disability expenses

Over 65 All expenses

Below 65 Expenses in excess of 7,5% of taxable income, or all expenses where a family member is handicapped.

Qualifying expenditure includes: medical aid contributions and all medical and disability expenses incurred not recovered from the medical aid paid by the taxpayer.

Physical disability expenditure includes necessary expenditure incurred as a result of the disability.

Donations to public benefit organisations

Limited to 10% of taxable income before deducting medical expenses and donations, provided made to organisations which issue receipts in terms of S18A. A detailed schedule of the types of organisations which qualify as public benefit organisations has been issued by SARS.

Home study expenses

May only be deducted where more than 50% of income is derived from commission and where the main duties are not carried out in an office provided by the employer but from the home study which is used regularly and exclusively for this purpose.

FRINGE BENEFITS

Medical aid

Medical aid contributions by employers are taxable to the extent that they exceed the following monthly capped amounts:
R530 for the employee plus R530 for the first dependent and R320 for each additional dependent.

There is no capping where an employee is 65 years or older.

Subsistence allowance

The allowance relates to expenditure on meals and incidental costs incurred whilst being absent from home for at least one night. It is taxable to the extent that the employee has not spent the required nights away from home by the last day of the following month. No proof is required where allowance is R208 per day for meals or incidental costs or R63,50 per day for incidental costs in South Africa or $200 per day outside South Africa.

Right of use of motor vehicle

The monthly fringe benefit is computed at 2,5% of the determined value of the first vehicle and 4% of each additional vehicle. Should a travel allowance be granted, the right of use of a motor vehicle will be 4% of the determined value.

The determined value is the cash cost (excluding VAT) of the vehicle or the market value in the case of a lease or donation. The cost is reduced by 15% for each year from the date of acquisition by the employer to the date the employee was granted the use of the vehicle.

Travelling allowance

The allowance may be paid at fixed monthly rate or per kilometre. PAYE on 60% of the allowance is deductible where allowance is not based on actual business travel costs.

The allowance can be based on actual figures, where detailed costs and travel records are kept; deemed costs per table and actual kilometres where a logbook is kept or deemed figures for both where only the total kilometres travelled during year are required. Where total kilometres are used, the first 18 000km and those in excess of 32 000 km are deemed private.

Scale for determining the costs of travelling

Value of the vehicle (including VAT)	Fixed Cost (R p.a.)	Fuel Cost (c/km)	Maintenance Cost (c/km)
0 – R40 000	15 364	47,3	22,5
R40 001 – R60 000	20 910	49,4	26,2
R60 001 – R80 000	25 979	49,4	26,2
R80 001 – R100 000	31 513	54,8	30,5
R100 001 – R120 000	36 978	54,8	30,5
R120 001 – R140 000	41 771	54,8	30,5
R140 001 – R160 000	47 512	57,2	39,8
R160 001 – R180 000	52 629	57,2	39,8
R180 001 – R200 000	58 334	65,9	43,8
R200 001 – R220 000	64 591	65,9	43,8
R220 001 – R240 000	69 072	65,9	43,8
R240 001 – R260 000	74 777	65,9	43,8
R260 001 – R280 000	79 918	69,3	52,5
R280 001 – R300 000	85 440	69,3	52,5
R300 001 – R320 000	88 793	69,3	52,5
R320 001 – R340 000	95 218	69,3	52,5
R340 001 – R360 000	100 011	77,1	68,0
exceeding R360 000	100 011	77,1	68,0

The recipient may opt to be reimbursed at R2,46 per km where less than 8 000 km relate to business, provided no other travel allowance is received.

Low interest loans

The benefit arises on the difference in the official rate of interest and that charged to the employee on loans greater than R3 000. Study loans are excluded.

The official interest rate of interest is:

1 December 2003 – 29 February 2004	9,5%
1 March 2004 – 31 August 2004	9,0%
1 September 2004 – 31 August 2005	8.5%
1 September 2005 – 31 August 2006	8,0%
1 September 2006 – date	9,0%

Other benefits

All benefits derived from employment are taxed in full or according to a formula and include: bursaries and scholarships in excess of R3 000, acquisition of assets at lower than market value, residential and hotel accommodation, home ownership schemes and right of use of assets.

SHARE INCENTIVES

Broad-based employee share plan

This plan is defined as one in terms of which equity shares are acquired at the minimum required by the Companies Act and in which employees who participate in any other share equity plan cannot participate and at least 90% of non-excluded employees are entitled to participate and the shares have full voting rights and no restrictions are placed on the disposal of the shares except at full market value or in terms of the rules of the plan for at least five years from date of the grant. The market value of the shares acquired during a 3 year period in terms of this plan cannot exceed R9 000.

The gain made on the sale of the qualifying shares within 5 years from the date of the grant is taxable as income. Thereafter the gain is subject to CGT.

The employer may deduct R3 000 per year.

Equity instruments issued to directors and employees

Regulations are applicable to equity instruments acquired after 26 October 2004 by virtue of employment or office.

Gains or losses are taken into account on the vesting of the equity instrument. Vesting occurs on the acquisition of an unrestricted equity instrument or, in the case of a restricted equity instrument, the earliest of: when all restrictions cease to exist, or immediately before the disposal of the instrument, or immediately after an option terminates or a convertible instrument is converted, or immediately before the taxpayer dies if all restrictions are lifted on death.

The gain on the vesting of the instrument constitutes remuneration and is subject to employees' tax.

EMPLOYEES TAX

Standard income tax on employees (SITE)

SITE is a final deduction of normal tax from net remuneration up to R60 000. SITE only taxpayers are not required to lodge a tax return. SITE does not apply to directors, or remuneration which may be set off against an assessed loss, or from which expenses may be claimed or travel allowances.

Pay as you earn (PAYE)

Employers are required to deduct PAYE on all remuneration paid to employees, including directors and members of close corporations, unless a tax deduction directive is issued by SARS.

MARRIED PERSONS

Married persons are taxed separately on his / her income. Donations between spouses are not subject to donations tax, though should the donation be made purely to avoid tax, the income earned will attribute to the donating spouse.

Persons married in community of property will be taxed on half of the property rentals and interest. Income from independent trade or from assets which are not part of the joint estate or from purchased annuities will be taxed in the hands of the spouse entitled thereto.

MINOR CHILDREN

Minor children are taxed on income received by them, unless such income is derived from assets or income donated by a parent. In this case the parent is taxed on such income.

ESTATE DUTY

Estate duty is levied at 20% on the dutiable amount of the estate after taking into account an abatement of R3,5 million.

The deemed property of the estate includes all assets and liabilities of the deceased, insurance policies on the life of the deceased as well as any accrued claim against the surviving spouse.

Certain deductions are allowed, which include funeral, tombstone and deathbed expenses; costs of administering and liquidating the estate; CGT, bequests to approved PBO, any property bequeathed to the surviving spouse.

RING FENCING OF ASSESSED LOSSES

Ring fencing can only be applied to natural persons subject to the maximum marginal tax rate who have incurred a trading loss in 3 out of 5 years in a trade listed in the Income Tax Act.

The affected trades relate to sport practices, dealing in collectibles, animal showing, performing or creative arts, betting or gambling carried on by the taxpayer or a relative; or the rental of residential accommodation, vehicles or aircraft unless 80% used by persons not related to the taxpayer for at least 6 months; farming or animal breeding unless on a fulltime basis.

The ring fencing can be prevented where the trade constitutes a business and “facts and circumstances” are presented for consideration unless the losses were incurred in 6 out of 10 years commencing on 1 March 2004.

LUMP SUM BENEFITS FROM FUNDS

TYPE OF FUND AND OBJECTIVE THEREOF	LUMP SUM PAYABLE FREE OF TAX		
	ON RETIREMENT	**ON RESIGNATION**	**ON DEATH**
PENSION FUND To pay an annuity to employees on retirement A maximum of 1/3 of the capital accumulated in the fund may be commuted to a lump sum	N/10 x AS limited to the greater of: – R120 000 or – R4 500 x N plus contributions not allowed as a deduction in the past	The greater of: – own contributions disallowed as deductions in the past; or – amount paid into a recognised pension or retirement annuity fund plus R1 800	As for retirement, but with a minimum of the greater of: – R60 000; or – 2 x salary (limited to R60 000) during the last 12 months, plus contributions not allowed as a deduction in the past
PROVIDENT FUND To pay a lump sum to employees on retirement	Same as pension funds with a minimum of R24 000 plus own contributions not allowed as a deduction in the past	Same as pension funds except that any amount transferred to another approved provident fund will also be allowed as a deduction	Same as pension funds
RETIREMENT ANNUITY FUND To pay an annuity to contributors to the fund on retirement A maximum of 1/3 of the capital accumulated in the fund may be commuted to a lump sum	1/3 of the amount in the fund limited to the greater of: – R120 000 or – R4 500 x N plus own contributions not allowed as a deduction in the past	Not applicable as no lump sum is payable on withdrawal	One third of own contributions plus reasonable interest subject to Minimum of the greater of – R60 000; or – 1/3 of all annuities which could have arisen if the date of retirement was one day prior to date of death Maximum of the greater of – R120 000; or – R4 500 x N

1. N = the number of completed years of employment not exceeding 50, or the number of completed years of membership during which contributions were made
2. AS = the highest annual average salary actually earned during any five consecutive years not exceeding R60 000
3. The lump sum benefits in excess of tax free limits are taxed at the higher average rate determined over the current and preceding year of assessment before inclusion of the lump sum benefit

COMPANIES AND CLOSE CORPORATIONS

NORMAL TAX

Normal companies

Close corporations are included in the definition of company and are taxed in the same way.

The normal tax rate for years ending on or after 31 March 2006 is 29%.

Small business corporations

These entities are entitled to certain allowances and reduced tax rates. They are defined as corporations where all the shareholders or members were natural persons for the entire year, the gross income does not exceed R14 million, no shareholder holds any interest in any other company (except listed companies, shareblock companies and body corporates) during the year and less than 20% of the income is investment income or personal service income.

The tax rates applicable to these entities are:

On first R43 000	0%
From R43 001 to R300 000	10%
Thereafter	29%

The incentive allowances include:
100% write off of all plant and machinery used in the process of manufacture or similar process, 50: 30: 20 write off of all other assets.

Personal service companies or trusts

Personal service relates to accounting, actuarial science, architecture, auctioneering, auditing, broadcasting, broking, commercial arts, consulting, draughtsmanship, education, engineering, entertainment, health, information technology, journalism, law, management, performing arts, real estate, research, secretarial services, sport, surveying, translation, valuation or veterinary science performed personally by any person who holds an interest in the company or close corporation which does not employ more than three full-time employees.

Employment companies

An employment company comprises labour brokers without an exemption certificate or a personal service company.

Payments to these entities are subject to employees' tax.

DIVIDEND TAX

A dividend tax at company level will replace the current STC. The first phase will reduce the current STC rate from 12,5% to 10% on all distributions with effect from 1 October 2007. Certain anti-avoidance measures will come into effect on 21 February 2007. The second phase will commence in 2008 and entails a conversion to dividend tax on shareholders, administered through a withholding tax at company level. The implementation of the second phase is dependent on the renegotiation of international tax treaties.

SECONDARY TAX ON COMPANIES (STC)

Dividends declared on or after 17 March 1993 to 30 September 2007 are subject to STC.

The STC is calculated on the net amount after taking into account dividends received during the dividend cycle. The rate of STC is 12,5%.

The dividend cycle extends from the date after the previous dividend was declared to the date of the next declaration. Where the previous dividend was declared before 17 March 1993 the dividend cycle is deemed to commence on 1 September 1992.

Certain dividends received cannot be taken into account in calculating the net amount. These include:

- dividends declared by fixed property companies which were allowed as tax deductions
- dividends distributed by unit portfolios representing interest
- dividends distributed in course of liquidation or deregistration attributable to profits derived prior to 31 March 1993 and capital profits earned prior to 1 October 2001
- dividends declared by group companies in some circumstances.

Dividends that are exempt from STC include those:

- mentioned above that cannot be deducted when calculating the net amount
- declared by companies qualifying for a tax holiday
- by companies representing an in specie distribution of the primary residence.

Benefits received by a shareholder or person connected to the shareholder can be deemed as dividends for STC and include:

- cash or assets distributed for the benefit of the recipient
- release of recipient's monetary obligation to company
- settlement of recipient's obligation to third party
- amounts applied for the benefit of the recipient
- distributable reserves when the company ceases to be resident.

The above deeming provisions will not apply where the distributions are:

- capitalisation issues paid out of share premium
- distributions from share premium account
- remuneration due to recipient
- in excess of the reserves available for distribution
- loans subject to interest at a rate not less than the official rate
- loans in terms of normal loan scheme available to employees
- loans to another company whose shareholding is the same as the company's
- loans made to a trust to acquire shares in the company in terms of a share incentive scheme
- loans repaid before the end of the next financial year, not included in any subsequent loan and where this provision has not been applied by the company in any previous year of assessment.

STC is payable by the end of the month following the end of the dividend cycle. Interest is charged at the prescribed rate on late payments but there are no penalty provisions.

SMALL BUSINESS TAX AMNESTY

In the 2006 Budget speech the Finance Minister announced that small businesses should be given an opportunity to regularise their affairs.

The amnesty applies to income tax on profits up to the 2005 year of assessment, STC on dividends for any dividend cycle ending in any year preceding the 2006 year of assessment, VAT, Employees Tax, Skills Development Levies and UIF. Amnesty for withholding tax on royalties applies to the period ending 28 February 2006. Amnesty does not apply if the Commissioner has formally notified the taxpayer of an audit, investigation or other enforcement action relating to the failure to comply with any Act for which amnesty is sought.

Amnesty can be applied for by an individual, deceased or insolvent estate of an individual, or entity (close corporation, unlisted company or trust) held throughout the 2006 year of assessment by individuals, provided the individual or entity carried on a business whose gross turnover did not exceed R10 million in the 2006 year of assessment.

The 2006 year of assessment is the year of assessment ended during the period 1 April 2005 to 31 March 2006.

Amnesty encompasses relief from penalties and interest for late submissions and payments of the taxes for which the amnesty is sought.

Assessed losses or assessed capital losses incurred in 2006 year of assessment cannot be carried forward into the following year. Applications must be submitted during the period 1 August 2006 to 31 May 2007. The applications must be accompanied by disclosure of taxable income for the 2006 year of assessment, an income tax return for the 2006 year and a statement of assets (at cost) and liabilities at the end of the period.

The amnesty levy imposed is quantified in relation to the income for the 2006 year of assessment earned from carrying on a business as follows:

0% on relevant income between	R 0	R 35 000
2% on relevant income between	R 35 001	R 100 000
3% on relevant income between	R 100 001	R 250 000
4% on relevant income between	R 250 001	R 500 000
5% on relevant income in excess of	R 500 000	

Assessed losses or capital assessed losses carried forward from a period preceding the 2006 year of assessment cannot be taken into account in calculating the levy.

RESIDENCE BASED TAXATION

This basis of taxation became effective on 1 January 2001.
A resident is:

- a natural person ordinarily resident in South Africa
- a natural person who complies with the physical presence test
- any entity incorporated, established or formed in South Africa or which has its place of effective management in South Africa, but excludes any person deemed to be resident of country with which a double taxation agreement is in force.

The physical presence test which must be performed each year requires a resident to comply with all three requirements which are:

- 91 days in aggregate during the current year of assessment
- 91 days in aggregate during each of the previous five years of assessment
- 915 days in aggregate during the previous five years.

A person ceases to be a resident if physically absent for 330 continuous days.

FOREIGN INCOME

All foreign income must be included in taxable income. Individuals are entitled to R3 000 exempt income from foreign investments in the form of dividends or interest subject to a total exemption of R18 000 (over 65 – R26 000) including local interest.
SARS has the discretion to impose a deemed amount as foreign income on assets taking into account any information it may have relative to assets held, transferred or disposed of during the period. The income is attributed at the official interest rate – currently 9%.

Investments
Interest, net rental income and income from unit trusts must be included in income. Losses incurred on rental property may not be set off against South African income but may be carried forward to future foreign income.

Employment
South African residents who render services outside South Africa for a period which in aggregate exceeds 183 days commencing or ending during the period of assessment and for a continuous period exceeding 60 days during that 183 days period will not be subject to taxation on their remuneration for the period they are absent from South Africa.

Pensions
Pensions are included in gross income except where they are received in terms of the social security system of another country or relate to past employment in another country.

Trading activities
Income earned from a business owned as a sole proprietor outside South Africa is taxed in the normal course, except where restrictions are imposed by the foreign country on the remittance of income. In this instance the income is taxed when remitted. Losses may not be set off against income earned in South Africa.

Foreign dividends

As from years of assessment commencing on or after 1 June 2004 foreign dividends received from a non-resident company, including deemed dividends, are taxable, except where:

- taxpayer holds more than 25% of the equity
- the company is a listed company and residents hold more than 10% of its equity share capital
- the company is a controlled foreign company (CFC) and the dividends do not exceed amounts deemed to be the resident shareholder's income under the CFC rules
- the profits from which the dividends were declared are taxable in South Africa or arose from dividends declared by a resident company.

Interest is deductible where it is incurred in the production of foreign dividends to the extent that they are included in gross income. Excess interest paid may be carried forward to the following tax year.

The withholding tax paid is allowed as a credit.

Controlled foreign companies (CFC)

A CFC is a non-resident entity in which South African residents hold more than 50% of the participation rights or voting control. The income of the CFC is imputed as income of the taxpayer in the ratio of the participation share. Any loss must be carried forward for set off against future income.

The proportionate share of the tax payable by the CFC will be allowed as a tax rebate.

The net income of a CFC attributable to a foreign business establishment is excluded.

Where the taxpayer holds between 10% and 20% of the participation rights and voting control, an election can be made to treat the investment as a CFC.

NON-RESIDENTS

Interest

Interest paid to non-residents is exempt from tax provided the taxpayer is physically absent from South Africa for 183 days and did not carry on a business and is not deemed to be ordinarily resident.

Dividends

All dividends are exempt from tax.

Royalties

A withholding tax of 12% is levied on royalty payments subject to the International agreement in force.

Capital gains tax

Non-residents are subject to CGT on the disposal of immovable property or the assets of a permanent establishment, branch or agency through which a trade is carried on situated in South Africa.

Estate duty

Assets located in South Africa will be subject to estate duty, subject to International agreements.

PUBLIC BENEFIT ORGANISATIONS (PBO)

Provisions regulating the tax-exempt status of public benefit organisations, the definition of public benefit organisations, as well as the tax deductibility of donations to such organisations came into effect on 15 July 2001.

These bodies as well as new entities wishing to conduct public benefit activities have to be approved as PBOs after complying with the qualifying provisions, the most important of which are that the main object of the entity must be to carry on substantially in the Republic in a non-profit manner in one or more public benefit activities in the following categories and meeting all the qualifying conditions in each category:

- welfare and humanitarian
- health care
- land and housing
- education and development
- religion, belief or philosophy
- cultural
- conservation, environment and animal welfare
- research and consumer rights
- sport
- providing funds, assets or other resources.

Donations to public benefit organisations are exempt as follows:
Company donations limited to 10% of taxable income

Individual donations limited to 10% of taxable income before the deduction of medical expenses.

CAPITAL GAINS TAX (CGT)

South African residents are liable to CGT on gains made on world-wide assets while non-residents are liable on gains made on immovable assets in South Africa or of a permanent establishment in South Africa through which a trade is carried on.

A capital gain or loss requires two basic conditions: an asset and a disposal. Once there is a disposal, the proceeds and the base cost of the asset must be established.

An asset is broadly defined as property of whatsoever nature (movable or immovable), both tangible and intangible, including a right to, or interest in the property, excluding currency.

Disposals include:
- sale
- donation
- expropriation, conversion, grant, cession, exchange
- alienation or transfer of ownership
- forfeiture
- termination
- redemption, cancellation, surrender, discharge, release, waiver, expiry or abandonment
- scrapping, loss or destruction.

Disposals exclude:
- transfer of assets as security for a debt
- issue or cancellation of own company shares
- grant of option by company to acquire shares or debentures
- distribution of assets by a trust to a beneficiary who has a vested interest.

Deemed disposals or acquisitions

Change of residence

When a person leaves South Africa permanently he is deemed to have sold all assets at market value, except immovable property and assets of a permanent establishment and shares and options granted less than 5 years before.

When a person becomes a resident in South Africa he is deemed to have disposed of his assets one day prior to becoming a resident and reacquired them on the day he becomes a resident, excluding immovable property and assets of a permanent establishment.

Trading stock

The conversion of an asset from a capital asset to trading stock (or vice versa) can trigger income tax or capital gains tax.

Personal use assets

The disposal of personal use assets is not subject to CGT, a deemed disposal is triggered when an asset ceases to be a non-personal use asset .

Proceeds on disposal of an asset

These comprise the amount received or accruing to the taxpayer or deemed to have been received or accrued. Proceeds specifically include:
- amount by which a debt is reduced or discharged
- amount received by or accrued to a lessee for improvements to property
- market value of assets donated.

Base cost

The base cost of assets acquired after 1 October 2001 is the cost of the asset plus any other cost incurred directly in the acquisition, improvement or selling. Only one third of the cost of holding shares or unit trust may be added to the cost in arriving at the base cost. The costs which cannot be taken into account (unless they apply to business assets and are deductible for normal tax) include borrowing costs, raising fees, rates and taxes and insurance.

Where the asset is acquired by donation the base cost is equal to the deemed proceeds taken into account at date of donation plus a portion of the donations tax depending on who pays the tax (donor or donee).

The base cost of assets acquired before 1 October 2001 may be determined at the option of the taxpayer on one of the following bases:

- market value on 1 October 2001, or
- time-apportioned base cost, or
- 20% of the proceeds on disposal (after taking into account expenditure after 1 October 2001).

The market value is determined as follows:

- South African listed securities using the values published in Government Gazette on 25 January 2002
- other listed securities at listed values on 1 October 2001
- long term insurance policies at the greater of the surrender value or fair market value according to the insurer
- all other assets on a valuation according to willing buyer and willing seller at arms length. No method of valuation is prescribed but it must be reasonable and capable of defence.

The market value should have been established by 30 September 2004.

The time-apportioned base cost requires that the date of acquisition and cost are known and is calculated according to the following formula:

$$B + \frac{[(P - B) \times N]}{T + N}$$

Where:
B = expenditure before 1 October 2001
P = proceeds on disposal (or per adjustment formula)
N = number of years held before 1 October 2001
T = number of years held after 1 October 2001

The adjustment formula applies where allowable expenditure is incurred after 1 October 2001 and is used to compute P in the previous formula as follows:

$$R \times \frac{B}{A + B}$$

Where:
R = actual proceeds
A = expenditure incurred after 1 October 2001
B = expenditure incurred before 1 October 2001

The 20% of proceeds rule is generally used where none of the other information is available. This method should not be disregarded where there has been a dramatic increase in the value of the assets.

The base cost of foreign assets in respect of which amnesty was granted cannot exceed the value of that asset on 28 February 2003 and expenditure incurred after that date.

Excluded assets

Assets which are not taken into account in computing CGT include:

- primary residence owned by a natural person or special trust limited to the first R1,5 million of gain
- most personal use assets excluding gold or platinum coins, immovable property, aircraft exceeding 450kg, boat exceeding 10 metres in length, financial instrument, usufructuary or fiduciary interest which decreases over time
- lump sum benefits from pension, provident or retirement annuity funds
- long term assurance paid to original beneficiary, spouse, dependent or deceased estate
- disposal of small business (where assets do not exceed R5 million) up to R750 000 due to ill health or reaching the age of 55, subject to some conditions
- compensation for personal injury, illness or defamation
- gains from gambling, competitions or games by natural persons
- gains or losses made by PBO
- gains and losses made by unit trust funds
- donations or bequests to PBO.

Foreign currency assets

Until 28 February 2003 gains or losses on foreign currency assets and liabilities were not subject to CGT. A foreign currency asset constitutes a unit of currency or an amount owing to a person, while a foreign currency liability is a foreign loan.

Any gains or losses are taxable with effect from 1 March 2003 on disposals which include:

- the conversion, sale, donation, expropriation, cession, exchange or any alienation or transfer of that foreign currency asset; or
- the forfeiture, termination, redemption, cancellation, surrender, discharge, relinquishment, release, waiver, renunciation, expiry, abandonment or loss of that foreign currency asset; or
- the vesting of any foreign currency asset of a trust in a beneficiary of that trust.

For each foreign currency a pool must be maintained. Any addition to the pool requires the "total asset pool base cost" to be redetermined. Disposals are allocated pro rata to the "total asset pool base cost". The average exchange rate for the year is used in the computations.

Rollovers

In certain cases the gain on the disposal of certain assets can be deferred until a subsequent CGT event, including:

- transfer of assets between spouses (provided both are resident)
- involuntary disposals – where the asset is expropriated, lost or destroyed provided the full proceeds are reinvested in a similar asset in terms of a contract entered into within a year and the asset is brought into use within 3 years
- reinvestment in replacement assets that are subject to certain tax allowances if brought into use within 3 years and full proceeds are used to replace the asset. The gain may be deferred over 5 equal annual instalments from date of replacement.

Trusts

Capital gains retained in trust are taxed in the trust's hands whilst those distributed in the same year are taxed in the beneficiary's hands.

Donations to trusts not vesting in beneficiaries are taxed in the hands of the donor.

Taxable portion and effective rates

Natural person and special trusts are entitled to an annual exclusion of R15 000.

Companies and close corporations:

- 50% of gain at 29% normal tax
- effective rate 14,5%

Trusts (excluding special trusts):

- 50% of gain at rate of 40%
- effective rate 20%

Individuals (including special trusts):

- 25% of gain at marginal rate
- Maximum effective rate 10%

DONATIONS

Donations tax is payable on the value of any gratuitous disposal of property including disposals for inadequate consideration by a taxpayer.

Donations tax is payable at 20% and within three months of the donation.

Exemptions include donations:

- by natural persons not exceeding R100 000 per year
- to a spouse
- to approved PBO
- casual donations up to R10 000 by donors other than natural persons
- by a public company.

PROVISIONAL TAX

The following taxpayers are required to register as provisional taxpayers:

- companies and close corporations
- individuals who earn taxable income of at least R10 000 which is not remuneration as defined.

Natural persons over 65 years old, whose taxable income is less than R80 000, who do not carry on business are exempt from provisional tax.

Basic amount

The basic amount used in determining the provisional tax payments is calculated:

- on most recent tax assessment issued 60 days before due date excluding capital gains tax, or
- estimate of taxable income in the first year of assessment, or
- where latest assessment is more than two years, SARS is using estimates of 10% increase in income per annum, or
- other amount SARS considers reasonable.

First and second provisional payments

The first payment is due six months before the end of the tax year and the second on the last day of the tax year. These payments are based on the basic amount or such lower amount as the taxpayer estimates for the year – provided that the estimates must be not less than 90% of the actual taxable income for the year. Should the incorrect estimate be used a penalty of 20% on the additional tax which would have been paid is levied.

Late payment of these provisional payments invokes a 10% penalty on the amount paid late and interest at the prescribed rate.

Third provisional payment

Where the taxable income, including capital gains tax, exceeds R20 000 in the case of company or R50 000 in the case of an individual or trust, a third provisional tax payment is required to avoid interest being charged on the balance of tax due for the year.

The third provisional payment is due 6 months after the financial year end, except where the year end is February, in which case the payment is due in September.

Overpayment of provisional tax

Interest at the prescribed rate will be paid on overpayment of provisional tax.

PRESCRIBED INTEREST RATES

Period			Payable to taxpayer (taxable)	Payable by taxpayer (non-deductible)
01/04/2003	to	30/06/2003	12,5%	16,5%
01/07/2003	to	31/08/2003	11,0%	15,0%
01/09/2003	to	30/09/2003	10,0%	14,0%
01/10/2003	to	30/11/2003	9,0%	13,0%
01/12/2003	to	31/10/2004	7,5%	11,5%
01/11/2004	to	31/10/2006	6,5%	10,5%
01/11/2006	to	date	7,0%	11,0%

LEARNERSHIP ALLOWANCES

These allowances will apply from 1 October 2001 until 31 October 2011.

Where the employer enters into a registered learnership agreement with a learner who was previously employed, the employer may deduct the lesser of:

- 70% of the annual equivalent of the remuneration of the learner, or
- R20 000.

Where the learner was not previously employed, the employer may deduct the lesser of:

- the annual equivalent of the remuneration of the learner, or
- R30 000.

RESEARCH AND DEVELOPMENT

Research and development performed for the purposes of

- discovering novel, practical and non-obvious information of a scientific or technological nature or,
- creating any invention, patent, design or computer copyright or similar property of a scientific or technological nature

qualifies for incentive allowances whereby

- 150% of the operating expenses are deductible and
- capital expenditure is depreciated on a 50:30:20 basis.

WEAR AND TEAR ALLOWANCES

Wear and tear can be calculated on a straight-line basis provided the taxpayer complies with certain requirements:

- adequate records must be maintained
- the method must be applied to all assets in the same class
- the annual tax return must include a detailed schedule of assets disposed of including date of acquisition, tax value in the previous tax year, the price on disposal or scrapping, the final written down value of the asset to be reflected at R1, the records must be maintained so that each asset's value can be established at any point in time.

A detailed schedule of the write-off periods acceptable to Inland Revenue has been issued. The most common of which are:

Item	**No of years**
Air-conditioners (window type, moving parts only)	6
Aircraft (light passenger, commercial and helicopters)	4
Bulldozers, concrete mixers	3
Burglar alarms (removable)	10
Cellular telephones	3
Cinema equipment	5
Compressors	4
Computers (personal computers)	3
Computer software (mainframes)	
• purchased	3
• self-developed	1
Computer software (personal computers)	2
Containers	5
Containers (stainless steel – transport of liquids)	5
Crop sprayers, fertilizer spreaders, harvesters, ploughs, seed separators	6
Curtains	5
Delivery vehicles	4
Demountable partitions	6
Dental and doctors' equipment	5
Drilling equipment (water)	5
Drills, electric saws	6
Electrostatic copiers	6
Excavators	4
Fax machines	3
Fishing vessels	12
Fitted carpets	6
Fork-lift trucks, front-end loaders	4
Gantry cranes	6

Item	No of years
Graders	4
Grinding machines	6
Gymnasium equipment	10
Hairdressers’ equipment	5
Heating equipment	6
Laboratory research equipment	5
Lathes	6
Laundromat equipment	5
Lift installations (goods and passengers)	12
Mobile caravans	5
Mobile cranes	4
Motorcycles	4
Musical instruments	5
Ovens and heating devices	6
Paintings (valuable)	25
Pallets	4
Passenger cars	5
Photocopying equipment	5
Racehorses	4
Refrigerated milk tankers	4
Refrigeration equipment	6
Security systems	5
Shop fittings	6
Telephone equipment	5
Television and advertising films	4
Textbooks	3
Tractors	4
Trailers	5
Trucks (heavy-duty)	3
Trucks (other)	4
Workshop equipment	5
X-ray equipment	5

Assets costing R5 000 or less can be written off in full in the year of acquisition.

CAPITAL ALLOWANCES

Type of assets and conditions	Annual allowance
Buildings in urban development areas – commercial or residential – Refurbishment of existing – New	 20% straight-line 20% in year 1, 5% thereafter
Plant and machinery – small business corporations – Used in process of manufacture or similar	 100%
Industrial buildings – used wholly or mainly in process of manufacture or similar where construction commenced – between 14 March 1961 and 31 December 1989 – between 1 January 1989 and 30 June 1996 – between 1 July 1996 and 30 September 1999 – from 1 October 1999	 2% 5% 10% 5%
Purchased industrial buildings	Same % as seller, except for 10%
Hotel buildings – construction commenced – after 3 June 1988 – new – after 17 March 1993 – improvements	 5% 20%
Commercial buildings (new and upgraded)	5%
Plant and machinery – new and unused, acquired between 1 March 2002 and 28 February 2005 – other plant and equipment	 40% in year 1, 20% thereafter 20%
Hotel equipment – brought into use after 15 December 1989	 20%
Farming equipment – brought into use after 1 July 1989	 50: 30: 20
Aircraft – Acquired on or after 1 April 1995	 20%
Research and development capital costs – from years of assessment commencing after 1 January 2004	 50: 30: 20
All depreciable assets except plant and machinery – small business corporations – from years of assessment commencing 1 April 2005	 50: 30: 20

ASSET REINVESTMENT RELIEF

The taxpayer can elect to postpone the recoupment on disposal of an asset where:
- the disposal of the asset was involuntary, or
- the asset disposed of was subject to a capital deduction or wear and tear provided that the replacement assets are brought into use with three years.

The recoupment can be set off over the same period as the wear and tear.

VALUE ADDED TAX (VAT)

VAT is levied on the supply of most goods at 14%.

Registration and submission of returns
An enterprise whose turnover has exceeded R300 000 in any twelve month period or if there are reasonable grounds to believe that turnover will exceed R300 000, is required to register as a VAT vendor. Voluntary registration is allowed where turnover is likely to exceed R20 000 (R60 000 in the case of commercial rental).

PBOs can register for VAT even if they do not carry on an enterprise.

VAT returns must be submitted:
- Every four months if annual turnover is less than R1,2 million
- Every two months if annual turnover is between R1,2 million and R30 million
- Every month if annual turnover is over R30 million.

The annual turnover relates to any 12 month period. It is incumbent on the vendor to notify SARS as soon as the turnover exceeds or is expected to exceed R30 million.

Exempt supplies
Certain supplies are except from VAT and they include:
- rental of residential accommodation
- education services
- road and rail transport for passengers
- share block and body corporate levies
- certain financial services (unless zero-rated).

Zero-rated supplies
Certain taxable supplies are zero-rated and include:
- sale of a going-concern if both seller and purchaser are registered for VAT
- certain goods for farming purposes
- basic foodstuffs
- petrol and diesel
- gold coins issued by the Reserve Bank
- transport of passengers and goods to and from export country, including insurance
- certain services rendered to non-residents who are outside South Africa at time service is rendered
- welfare activities, including provision of food and lodging, etc
- municipal property rates from 1 July 2006.

Input tax

Input tax can only be claimed where:

- the tax is incurred by the vendor for the purpose of making vatable supplies
- there is a valid tax invoice which is required for any supply in excess of R3 000, which states the name and VAT number of the customer as well as full details of the supplier.

Notional input tax can be claimed where

- the record keeping requirements for second hand goods are met
- the supplier of a property was not registered for VAT limited to the amount of transfer duty paid.

The VAT may not be claimed on:

- entertainment expenses, including food, beverages, amusement or recreation
- fees or subscriptions in respect of club or society membership
- on motor cars (including hire). Game-viewing vehicles and hearses have been excluded from the motor car definition.

Time of supply

The time of supply is generally the earlier of:

- date of invoice or
- date of payment of any part of the price.

The actual date of supply is not regarded unless the parties are connected.

Rentals or periodic supplies take place at the earlier of when payment is due or made.

Value rules

Generally the value is the consideration paid.

Where the enterprise deregisters as a vendor, all goods on hand are valued at the lesser of cost or market value.

The VAT on motor vehicle fringe benefits is calculated monthly as follows: cash cost of vehicle (excluding VAT) x 0,3% x 14 / 114.

Penalties and interest

The late submission of a VAT return results in a penalty of 10% of the VAT payable and interest at the prescribed rate for the month or part thereof.

SKILLS DEVELOPMENT LEVY (SDL)

The levy is utilised to develop the skills of the workforce, improve productivity and the quality of life of the workers.
Employers are encouraged to create an active learning environment by being eligible for grants if their training programs meet the Sector Education and Training Authority (SETA) requirements.
Employers with a payroll in excess of R500 000 are required to register and pay the 1% levy on the total remuneration used to compute employees' tax.

GENERAL ANTI-AVOIDANCE PROVISIONS

The new section 80 provisions apply to schemes or arrangements entered into on or after 2 November 2006.

- Impermissible avoidance arrangements are those whose sole or main object is to obtain a tax benefit and are entered into in a manner not normally employed for bona fide business purposes, or lack commercial substance or create rights and obligations not normally created between persons dealing at arm's length.
- Consequences of such arrangements may result in the Commissioner disregarding, combining or recharacterising any steps of the arrangement, disregarding any accommodating or tax indifferent party, deeming connected persons to be a single person, or treatment of the arrangement as if it had not been entered into.
- Lack of commercial substance exists if the arrangement does not have a substantial effect on the business risks, utilises round trip financing or an accommodating or tax indifferent party and has elements that have the effect of offsetting or cancelling each other.
- Presumption of purpose of the arrangement as being one solely or mainly created to obtain a tax benefit by the Commissioner must be disproved by the taxpayer.

2010 FIFA WORLD CUP

As part of the bid to host the 2010 FIFA World Cup, various guarantees were issued to FIFA amongst which those dealing with Customs Duties and other taxes. The legislation is effective from 1 April 2006.

A "tax-free bubble" concept applies to Income Tax and VAT and is restricted to FIFA-designated Sites for specified periods. The profit on goods sold or services rendered will not be subject to income tax and the VAT will be zero-rated. Expenses incurred in the production of the tax free income will not be permitted as deductions. The tax relief will apply to both residents and non-residents.

The "tax-free bubble" will only be operative in respect of sub-components of a FIFA-designated Site as follows:

- the stadia, any exclusion zone, official Championship-related parking areas, Championship press and television centres, VIP and other areas and facilities utilised for Official events as agreed by FIFA and SARS for the period commencing one week before the 2009 FIFA Confederation Cup and ending immediately after the closing ceremony;
- training sites for official FIFA sanctioned training days;

- official host city public viewing venues on Championship match days; and
- the FIFA Flagship Store for six months before the 2009 FIFA Confederation Cup and ending one month after the closing ceremony.

Relief from import taxes will apply to qualifying persons including FIFA and its subsidiaries, FIFA National Associations, FIFA confederations, media representatives, commercial affiliates, merchandising partners, licensees, FIFA Flagship Store operators and other FIFA designated service providers, host broadcaster.

STAMP AND TRANSFER DUTIES

Transfer duty of immovable property

Natural persons after 1 March 2006	
On first R500 000	0%
On R500 001 to R1 000 000	5%
On amount above R1 000 000	8%
Companies, close corporations and trusts	8%

The transfer of shares in a residential property company is subject to transfer duty as above. The residential property company owns a dwelling house, holiday home, land zoned for residential use, other than apartment complexes, and where the fair value of the property is more than 50% of the total fair value of all other assets (other than financial instruments).

Stamp duty on lease of immovable property

With effect from 1 January 2005 stamp duty is payable on leases at a fixed rate of 0,5% on the quantifiable amount of the lease. The quantifiable amount of the lease is the full value of the lease for the full period plus any other quantifiable consideration including costs of improvements to be effected by the lessee.

Where the stamp duty is less than R500 the lease is exempt from stamp duty.

It is proposed that the stamp duty be abolished on leases less than 5 years.

RETENTION OF RECORDS

Below are the recommended retention periods which commence from the date of the last entry in the record.

Statutory Records	**Originals**
Memorandum and Articles of association, certificate to commence business, certificate of incorporation and change of name, founding statement, amended founding statement, minute books and notice of minutes.	Indefinite
Share registers, directors' attendance registers, directors' interests	15 years
Cancelled share certificates	12 years

Accounting records

Books of prime entry, including cash books, creditors' ledgers, debtors' ledgers, fixed asset registers, general ledgers, journals, purchase and sales journals, subsidiary journals and ledgers	15 years
Vouchers, working papers, bank statements, costing records, creditors' invoices and statements, debtors' invoices and statements, goods received notes, journal vouchers, payrolls, purchase orders and invoices, salary and wage registers, sales tax records, tax returns and assessments	5 years

Employee records

Personnel records, payrolls, tax records	5 years

Capital gains tax

All records to date of sale including base costs and valuations, thereafter from date return lodged	5 years

USURY ACT

Maximum lending rates of interest effective from 17 September 2004 to 31 May 2007

On leases, credit transactions, loans and money lending:

Up to	R10 000	20%
Over	R10 000	17%
Over	R500 000	No limit

The R500 000 limit is reduced to R10 000 where the lender is exempt through registration with a regulatory institution.

After 1 June 2007 the rates will be linked to the SA Reserve Bank Repurchase rates.

EXCHANGE CONTROL

Regulations in force on 21 February 2007

General

1. Travel allowances – holiday and/or business	
Maximum – for adults	R160 000 pa
– for children (under 12)	R50 000 pa
2. Maintenance allowances to father, mother, brother or sister – per receiving family unit	R9 000 pm
3. Study allowance to RSA students studying abroad –	
a) Unmarried – basic allowance	R160 000 pa
– travel allowance	R50 000 pa
b) Married and accompanied by spouse	
– basic allowance	R320 000 pa
– travel allowance	R100 000 pa
c) Temporary export of personal and household effects – per student	R30 000

4.	Gifts – per taxpayer	R30 000 pa
5.	Export limit for RSA banknotes (per person)	R5 000
6.	Release of blocked funds to emigrants for local visits to RSA	
	Adults	R3 000 per day
	Children (under 12)	R1 500 per day
	Maximum – per family	R75 000 pa
7.	Gifts, donations and maintenance payments from emigrants' blocked Rands to third parties resident in RSA	R100 000 pa
8.	Foreign allowance – per RSA resident over 18 – subject to tax clearance	R2 000 000
9.	Internet purchases up to R20 000 per transaction where payment by debit or credit card.	

Emigrants

Foreign allowance	
Per family unit	R4 000 000
Per single person	R2 000 000
Travel allowance	
Per adult	R160 000
Per child (under 12)	R50 000
Aggregate value of household and personal effects, motor vehicles, stamps and coins	R1 000 000

Allowances will be reduced by foreign allowance (8 above).

Blocked assets

New emigrants wishing to remit more than the foreign allowance and existing emigrants wishing to remit blocked funds must apply to exchange control department of the Reserve Bank. The amount applied for must be in available cash funds and approval will be subject to an exiting schedule, an exit charge of 10% and South African tax clearance.

Assets in excess of foreign allowance are "blocked" and must be surrendered to an authorised dealer. Blocked assets may be used for:

– Emigration expenses, eg moving and packing
– Investment in listed South African shares, gilts, futures and unit trusts
– Living expenses on return to South Africa as per note 6
– Travel cost for return visit to South Africa by most direct route
– Travel cost paid in South Africa to emigrant's new country of residence
– Income tax on income earned prior to emigration
– Tuition and boarding fees paid for children who have remained in South Africa or returned to complete studies

- Rates and taxes on vacant stands
- Membership and subscriptions fees to professional and technical societies
- Premiums on endowment, life assurance and retirement annuity funds taken out prior to departure:
  - capital proceeds will remain blocked
  - annuities will be remittable with Exchange Control approval
- Maintenance payments to a local resident in terms of a court order
- Professional fees for services rendered in connection with blocked assets
- Medical expenses incurred on return visit
- Gifts, donations and maintenance to third parties to maximum of R100 000 pa
- Maintenance and alterations to fixed property to maximum of R100 000 pa.

South Africans temporarily abroad

1. Subsistence allowance equal to travel allowance (not both)
2. Household, personal items and motor vehicle up to R1 000 000
3. Export of farming equipment to Sub-Saharan Africa up to R1 000 000.

Remittable income

Income earned is freely remittable abroad after deducting South African income tax.

Income is defined as:

- Dividends and distributions by close corporations out of profits earned after date of emigration
- Interest
- Monthly pension payments by registered fund
- Cash bonuses on insurance policies
- Retirement annuity payments after approval
- Income from trust created in terms of last will and testament
- Income from trust other than a will trust subject to approval
- Net rental on fixed property subject to approval
- Royalty payments subject to approval
- Directors' fees and close corporation members' fees
- Difference between purchase consideration and maturity value of quoted gilts.

Inheritances

- Cash bequest to non-resident beneficiary of a deceased estate of a South African resident are freely remittable
- Securities inherited by non-resident to be endorsed "Non-resident". Proceeds on disposal are remittable
- South African assets of deceased non-residents are freely remittable
- Jewellery may be exported without restriction.

Immigrants

On arrival, immigrants are required to declare to a registered dealer:

- Whether they possess foreign assets
- Give undertaking that their foreign assets will not be placed at disposal of third party South African resident.

May freely deal with their foreign assets and income
Assets introduced into South Africa may be retransferred together with normal growth during first 5 years.

After 5 years the immigrant will be classified as South African resident and qualifies for foreign investment and emigration allowances.

Restrictions on local borrowings

Local borrowings of "affected persons" limited to 300% of total shareholders' investment.

"Affected persons" include:

- Companies, close corporations, foundations, trusts, partnerships with
- 75% foreign control or beneficial interest.

Local borrowings include the aggregate of:

- Overdrafts
- Mortgage Bonds
- Local Acceptance Credits
- Guarantees
- Instalment sales or leases
- Discounting
- Factoring
- Suretyships
- Buy backs
- Lease backs

Foreign investment in South Africa

Non-residents may:

- Invest in South African listed or unlisted shares. Proceeds on sale are fully remittable
- Introduce loan capital with Exchange Control approval
    - Loan may be repatriated in original foreign currency or Rand
    - Interest may be remitted at the appropriate rates applicable to repatriation currency
- Have interest paid on portion of loan in excess of loan: capital ratio of 3: 1 disallowed by SARS
- Have after-tax profits and dividends remitted
    - but subject to local borrowings limits being met
    - in the form of loans subject to Exchange Control approval.

NEW BUSINESS START UP REQUIREMENTS

First the decision of the best entity to house the business has to be made. The options range from the basic sole proprietorship to complex structures including companies and trusts.

On selection of company or close corporation, the following documents need to be lodged with the Registrar of Companies or Close Corporations:

Memorandum and Articles of Association and Certificate to Commence Business and confirmation of directors, officers and auditors or Founding Statement.

The opening of bank accounts is dependent on the above documents being duly registered.

Once the company, close corporation is duly registered and the bank account opened, application can be made for VAT registration.

The application must be accompanied by a business plan.

The entity must be registered for income tax.

Employers must register for PAYE, Skills Development Levies, Unemployment Insurance and Workmen's Compensation

The entity must register with the relevant Industrial Council.

PROMOTION OF ACCESS TO INFORMATION

All private bodies that carry on a business or trade must compile and thereafter update a manual containing certain specific information. The manual must be made available for inspection as prescribed in the Act and copies submitted to the Human Rights Commission and any controlling body of which the private body is a member. The manual must also be available on the private body's website.

Entities that were required to register by 31 December 2005 comprised those that:

- employed 50 or more persons
- within certain sectors with turnovers according to the table:

Agriculture	R2 million
Mining and Quarrying	R7 million
Manufacturing	R10 million
Electricity, Gas and Water	R10 million
Construction	R5 million
Retail and Motor Trade and Repair Services	R15 million
Wholesale Trade, Commercial Agents and Allied Services	R25 million
Catering, Accommodation and other Trade	R5 million
Transport, Storage and Communications	R10 million
Finance and Business Services	R10 million
Community, Special and Personal Services	R5 million

FINANCING

The payment required for each R1 000 borrowed is as stated below.
For example, a bond of R100 000 for 20 years at 10% is
100 x 9.65 = R965 per month.

Mortage bond

Rate	**10 years**	**20 years**	**25 years**	**30 years**
6%	11.10	7.16	6.44	6.00
7%	11.61	7.75	7.07	6.65
8%	12.13	8.36	7.72	7.34
9%	12.67	9.00	8.39	8.05
10%	13.22	9.65	9.09	8.78
11%	13.78	10.32	9.80	9.52
12%	14.35	11.01	10.53	10.29
13%	14.93	11.72	11.28	11.06
14%	15.53	12.44	12.04	11.85

Short term finance – instalment credit and leases

Rate	**36 months**	**48 months**	**60 months**
6%	30.42	23.49	19.33
7%	30.88	23.95	19.80
8%	31.34	24.41	20.28
9%	31.80	24.89	20.76
10%	32.27	25.36	21.25
11%	32.74	25.85	21.74
12%	33.21	26.33	22.24
13%	33.69	26.83	22.75
14%	34.18	27.33	23.27
15%	34.67	27.83	23.79
16%	35.16	28.34	24.32
17%	35.65	28.86	24.85

FOREX RATES

	US$	UK£	€	AUS$
28/02/2006	6.1729	10.7341	7.3183	4.5537
31/03/2006	6.1942	10.7707	7.5095	4.4326
28/04/2006	6.1460	11.0977	7.7181	4.6425
31/05/2006	6.6692	12.5250	8.5775	5.0787
30/06/2006	7.1389	13.0696	9.0746	5.2994
31/07/2006	6.8555	12.7920	8.7442	5.2549
31/08/2006	7.0736	13.4904	9.0896	5.4025
29/09/2006	7.7043	14.3935	9.7567	5.7405
31/10/2006	7.5842	14.4043	9.6236	5.8309
30/11/2006	7.1313	13.9378	9.4080	5.6148
29/12/2006	6.9737	13.6884	9.1847	5.5188
31/01/2007	7.2957	14.2716	9.4462	5.6275

PRIME OVERDRAFT RATES

Date of change		Rate %
1998	29 August	25,50
	19 October	24,50
	9 November	23,50
	7 December	23,00
1999	11 January	22,00
	13 February	21,00
	8 March	20,00
	19 April	19,00
	25 June	18,00
	16 July	17,50
	2 August	16,50
	4 October	15,50
2000	19 January	14,50
2001	18 June	13,75
	16 July	13,50
	25 September	13,00
2002	16 January	14,00
	18 March	15,00
	14 June	16,00
	14 September	17,00
2003	13 June	15,50
	18 August	14,50
	15 September	13,50
	20 October	12,00
	15 December	11,50
2004	16 August	11,00
2005	15 April	10,50
2006	8 June	11,00
	3 August	11,50
	13 October	12,00
	8 December	12,50

Banks do not always adjust their rates on the same day

NOTES

Produced by Horwath Leveton Boner Consulting (Pty) Ltd

Tuffias
SANDBERG

Greenstone Hill Office Park,
Building No 8,
Emerald Boulevard,
Greenstone Hill Ext 22,
Edenvale 1609

Postnet Suite 223
Private Bag X10010,
Edenvale, 1610

Tel: +27 11 524 9700

info@tsza.co.za
www.tuffiassandberg.co.za

Morison KSi
Independent member