

## 2016 Parliamentary Budget Speech Overview

Finance Minister Pravin Gordhan's first comeback National Budget tabled on Wednesday February 24<sup>th</sup> 2016 in Parliament was relatively calm and workmanlike after all the expectations of tax hikes and spending cuts amid tough economic times. Gordhan had the daunting task preparing the budget under difficult economic conditions as Minister Nhlanhla Nene's removal from office.

Key objectives of the speech were:

- Manage our finances in a prudent and sustainable way
- Re-ignite confidence and mobilise the resources of all social partners
- Collectively invest more in infrastructure to increase potential growth
- Give hope to our youth through training and economic opportunities
- Protect South Africans from the effects of the drought
- Continuously improve our education and health systems
- Accelerate transformation towards an inclusive economy and participation by all
- Strengthen social solidarity & extend our social safety

Some highlights of the budget framework were set out as follows:

- The budget deficit will fall from 3.2% in 2016/17 to 2.8% in 2017/18 and 2.4% the following year
- Government will lower the expenditure ceiling by R10 billion in 2017/18 and R15 billion in 2018/19 by reducing public-sector compensation budgets
- An additional R18.1 billion of tax revenue will be raised in 2016/17, with an additional R15 billion in each of the subsequent two years
- Government has responded to new spending needs without compromising expenditure limits. An amount of R31.8 billion has been reprioritised over the period to support higher education, the New Development Bank and other priorities

### Important Aspects of the 2016/17 Budget Speech

#### Personal (and Special Trust) Tax Tables

Personal income tax relief of R5.65 billion, which partially compensates for inflation, focused mainly on lower- and middle-income earners.

The following are the tax tables for the 2016/17 tax year

Income Tax: Individuals and Trusts	
Taxable Income (R)	Rates of Tax (R)
0 - 188 000	18% of taxable income
188 001 - 293 600	33 840 + 26% of taxable income above 188 000
293 601 - 406 400	61 296 + 31% of taxable income above 293 600
406 401 - 550 100	96 264 + 36% taxable income above 406 400
550 101 - 701 300	147 996 + 39% of taxable income above 550 100
701 301 and above	206 964 + 41% of taxable income above 701 300

Rebates	Tax Rebates	
	Tax Year 2015/2016	Tax Year 2016/2017
Primary	R 13 257	R 13 500
Secondary (Persons 65 and Older)	R 7 407	R 7 407
Tertiary (Persons 75 and older)	R 2 466	R 2 466

Age	Tax Thresholds	
	Tax Year 2015/2016	Tax Year 2016/2017
Below age 65	R 73 650	R 75 000
Age 65 to below 75	R 114 800	R 116 150
Age 75 and above	R 128 500	R 129 850

## Tax treatment of Retirement Fund Savings

The following are the tax tables for retirement schemes the 2016/17 tax year

Retirement fund lump sum withdrawal benefit	
Taxable Income (R)	Rates of Tax (R)
0 - 25 000	0% of taxable income
25 001 - 660 000	18% of taxable income above 25 000
660 001 - 990 000	114 300 + 27% of taxable income above 660 000
990 001 and above	203 400 + 36% of taxable income above 990 000

Retirement lump sum withdrawal benefits consists of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on withdraw.

Retirement fund lump sum benefits or severance benefits	
Taxable Income (R)	Rates of Tax (R)
0 - 500 000	0% of taxable income
500 001 - 700 000	18% of taxable income above 500 000
700 001 - 1 050 000	36 000+ 27% of taxable income above 700 000
1 050 001 and above	130 500 + 36% of taxable income above 1 050 000

Retirement lump sum benefits consists of lump sums from a pension, pension preservation, provident, provident preservation or retirement annuity fund on death, retirement or termination of employment.

## Retirement fund deduction changes on contributions:

Amounts contributed to pension, provident and retirement annuity funds during a tax year are deductible by members of those funds. Important changes to deductions:

- Amounts contributed by employers and taxed as fringe benefits are treated as contributions by the individual employee.
- The deduction is limited to 27.5% of the greater of remuneration for PAYE purposes or taxable income (both excluding retirement fund lump sums and severance benefits).
- The deduction is limited to a maximum of R350 000.
- Any contributions exceeding the limitations are carried forward to the next tax year and are deemed to be contributed in that following year.
- The amounts carried forward are reduced by contributions set off when determining taxable retirement fund lump sums or retirement annuities.

## Tax treatment of Medical Schemes Contributions

The following are the tax tables for concerning Medical Scheme Contributions for the 2016/17 tax year

Rebates	Medical Scheme Contribution	
	Tax Year 2015/2016	Tax Year 2016/2017
For each of the first 2 beneficiaries	R 270	R 286
For each of the additional beneficiaries	R 181	R 192

## Taxation of Capital Gains

Capital gains tax inclusion rate for individuals, special trusts and insurers' individual policyholder funds increases from 33.3% to 40%, and for other taxpayers from 66.6% to 80%

	Maximum effective Rate of Tax on Capital Gains	
	Tax Year 2015/2016	Tax Year 2016/2017
Individual and Special Trust	13,65%	16,40%
Companies	18,65%	22,40%
Other Trusts	27,31%	32,80%

## Transfer duties on the sale of property

Transfer duty is payable at the following rates on transactions which are not subject to VAT -

### Acquisition of property by all persons

Acquisition of property by all persons:	
Value of property (R)	Rate
0 - 750 000	0,00%
750 001 - 1 250 000	3% of the value above R750 000
1 250 001 - 1 750 000	R15 000 + 6% of the value above R 1 250 000
1 750 001 - 2 250 000	R45 000 + 8% of the value above R 1 750 000
2 250 001 - 10 000 000	R85 000 +11% of the value exceeding R2 250 000
10 000 001 and above	R937 500 +13% of the value exceeding R10 000 000

## Other important changes

- **Fuel levies and Road Accident Fund:** The general fuel levy will increase by 30c per litre on April 6<sup>th</sup> 2016. This will push up the general fuel levy to R2.85 per litre of petrol and to R2.70 per litre of diesel
- **'Sin' taxes increases:** Excise duties on alcoholic beverages (particularly beer, ciders, fruit beverages and spirits) will increase by between 6.7% and 8.5%
- **Sugar-Sweetened Beverages Tax:** Government proposes to introduce a tax on sugar-sweetened beverages on April 1<sup>st</sup> 2017 to help reduce excessive sugar intake.
- **The aged:** Disability and care dependency grants will rise by R80 to R1 500 in April 2016, and by a further R10 to R1 510 in October
- **The child support grant:** Will rise by R20 to R350 in April and the foster care grant by R30 to R890
- **Amnesty Tax:** Time is now running out for taxpayers who still have undisclosed assets abroad. With next year's deadline in mind, additional relief will be offered for a period of six months, from October this year, to allow non-compliant taxpayers to regularise their affairs.

Summary of the key notes for the 2016 Budget speech:

- Personal income tax relief of R5.65 billion
- Capital gains tax inclusion rate for individuals, special trusts and insurers' individual policyholder funds increases from 33.3% to 40%, and for other taxpayers from 66.6% to 80%
- Assets transferred through a loan to a trust are to be included in the estate of the founder at death and interest-free loans to trusts are to be treated as donations
- General fuel levy increases by 30 cents per litre on 6 April 2016
- Excise duties on alcoholic beverages increase by between 6.7% and 8.5%
- Tax deduction on retirement savings
- A tyre levy at R2.30 per kilogram is to be introduced on October 1st

In closing of the budget speech Gordhan ended with a quote from former President Nelson Mandela:

*'I am fundamentally an optimist. Whether that comes from nature or nurture I cannot say. Part of being optimistic is keeping one's head pointed toward the sun, one's feet moving forward. There were many dark moments when my faith in humanity was sorely tested, but I would not and could not give myself up to despair. That way lays defeat and death.'*

- **Thrisha Dasaraden, Technical Analyst**