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What is the real tax rate in SA?

We all have an idea on what rate we pay SARS on our earnings, but do we have any idea on what the real tax burden we carry is

The current tax tables as supplied by SARS have the following rates

Tier	Taxable income (R)	Rates of tax (R)
1	1 – 195 850	18% of taxable income
2	195 851 – 305 850	35 253 + 26% of taxable income above 195 850
3	305 851 – 423 300	63 853 + 31% of taxable income above 305 850
4	423 301 – 555 600	100 263 + 36% of taxable income above 423 300
5	555 601 – 708 310	147 891 + 39% of taxable income above 555 600
6	708 311 – 1 500 000	207 448 + 41% of taxable income above 708 310
7	1 500 001 and above	532 041 + 45% of taxable income above 1 500 000

Applying the scales based on the above brackets the increase in tax for the individual would be the following assuming they remain in the same tax bracket and increase their earnings from the lowest to the highest level

Effective Rate			Effective Rate			Effective Rate		
Base Level			Mid-Level			Upper Level		
Salary	Tax	%	Salary	Tax	%	Salary	Tax	%
R195 850.00	R35 253.00	18.00%						
R195 851.00	R35 253.26	18.00%	R250 850.50	R49 553.13	19.75%	R305 850.00	R63 853.00	20.9%
R305 851.00	R63 853.31	20.88%	R364 575.50	R82 057.91	22.51%	R423 300.00	R100 262.50	23.7%
R423 301.00	R100 263.36	23.69%	R489 450.50	R124 077.18	25.35%	R555 600.00	R147 891.00	26.6%
R555 601.00	R147 891.39	26.62%	R631 955.50	R177 669.65	28.11%	R708 310.00	R207 447.90	29.3%
R708 311.00	R207 448.41	29.29%	R1 104 155.50	R369 744.66	33.49%	R1 500 000.00	R532 040.90	35.5%
R1 500 001.00	R532 041.45	35.00%	R4 750 000.50			R8 000 000.00	R3 051 207.00	38.1%

Moving from the base rate to the upper rate on any tier will incur a double-digit tax increase

Tier	Base	Mid	Upper	Base to Upper
1	18.00%			
2	18.00%	9.74%	5.7%	15.98%
3	20.88%	7.81%	5.2%	13.45%
4	23.69%	7.03%	5.0%	12.38%
5	26.62%	5.62%	4.2%	10.03%
6	29.29%	9.74%	5.9%	21.11%
7	35.00%	14.34%	5.7%	15.98%

*Percentage change in effective tax rate.

Sadly, this is only the beginning because we have all the other hidden costs which need to be considered

As an example, we have a young individual (Part of a couple) in the early stages of their business career. The gross salary earned is R 364 575 per annum inclusive of a 13th cheque, which gives a monthly salary of R 28 044.00 which puts him in the middle of the second tax tier of the tax tables. For this he pays income tax of R 82 057.00 pa or 22.51% tax

Now consider the VAT implications for the young household
The following assumptions have been made for this exercise:

- He uses a mid-range vehicle delivering 8l / km and does 2000 km per month
- To do the 2000kms he will use 250 litres of fuel per month

We estimate the following costs for a normal months' living expenses (Joint Couple)

Expense	Monthly	Annual	VAT
Bond	R7 000.00	R84 000.00	R10 956.52
Cell Phone	R1 000.00	R12 000.00	R1 565.22
Entertainment	R2 000.00	R24 000.00	R3 130.43
Groceries	R2 000.00	R24 000.00	R3 130.43
Household and vehicle insurance	R3 000.00	R36 000.00	R4 695.65
Mnet	R890.00	R10 680.00	R1 393.04
School fees Per Child	R5 000.00	R60 000.00	R7 826.09
Vehicle License	R500.00	R500.00	R65.22
Utilities	R3 500.00	R42 000.00	R5 478.26
Petrol	R3 930.00	R47 160.00	R6 151.30
Total	R28 820.00	R340 340.00	R44 392.17

The indirect taxes which they incur would be the following:

Fuel Levy @ R3.37 per litre

Road Accident Fund @ R1.93 per litre

Carbon Tax @ R0.09c per litre

Using the above consumption rates which equates to 3000 litres per annum the fuel levies amount to an additional R 16 170 per annum



Fuel Levy
R 3.37 perlitre



Carbon Tax
R 0.09c perlitre



Road Accident Fund
R 1.93 perlitre



Based on the “obvious and readily available” information the immediate tax burden is as follows

Criteria	Value	%
Salary	R 364 575.00	
PAYE	R 82 057.00	22.51%
VAT	R 44 392.17	12.18%
Fuel Levy	R 16 170.00	4.44%
Total		39.12%

So, our young man is now contributing 39.32% in taxes and levies, as opposed to the 22.51% PAYE we assume.

On the far end of the income scale, let’s look at a high net worth individual earning R 4 million per annum

The following assumptions have been made for this exercise:

- He uses an executive vehicle delivering 11l / km and does 4000 km per month
- To do the 4000kms he will use 364 litres of fuel per month

We estimate the following costs for a normal months’ living expenses

Expense	Monthly	Annual	VAT
Bond	R15 000.00	R180 000.00	R23 478.26
Cell Phone	R2 000.00	R24 000.00	R3 130.43
Entertainment	R5 000.00	R60 000.00	R7 826.09
Groceries	R8 000.00	R96 000.00	R12 521.74
Household and vehicle insurance	R6 000.00	R72 000.00	R9 391.30
Mnet	R890.00	R10 680.00	R1 393.04
School fees Per Child	R9 000.00	R108 000.00	R14 086.96
Vehicle License	R1 500.00	R18 000.00	R2 347.83
Utilities	R7 000.00	R84 000.00	R10 956.52
Petrol	R5 716.36	R68 596.36	R8 947.35
Total	R60 106.36	R721 276.36	R94 079.53

Criteria	Value	%
Salary	R4 000 000.00	
PAYE	R1 657 041.00	41.43%
VAT	R 91 927.35	2.30%
Fuel Levy	R 23 520.00	0.59%
Total		44.31%

The difference between the high net worth individual and the newly employed is only 5.19%

Caveat:

The estimated lifestyle of the high net worth individual may be understated and subject to change, but we don't believe it will have a significant difference to the values listed above

Not considered in the above calculations would be the following: -

UIF of 1% contribution with a remuneration ceiling of R 14872.00

Sin taxes on his favourite tippie and cigarettes
All non-essential "luxury" goods carry an ad valorem duty

					
					
+ R65.84 Per Bottle	+ R1.34 Per Can	+ R10.16 Per Bottle	+ R3.15 Per Bottle	+ R16.66 Per 20 Cigarettes	+ R7.80 Per Cigar



Cold drinks now carry a sugar tax of 2.29c per gram of sugar included in the beverage which increases the cost by approximately 11%



WHERE CAN SOUTH AFRICANS TRAVEL WITHOUT A VISA?



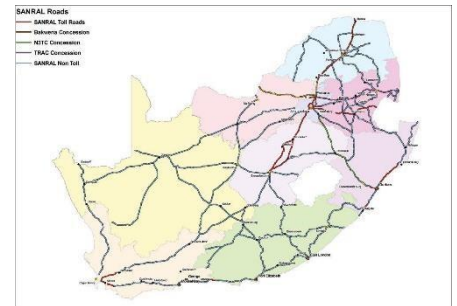
Almost all international travel will require a visa and / or a medical depending on age
 Air departure tax for international travel cost either R100 or R190 per passenger
 Departure tax on local flights can be as much as 25% plane ticket
 SA passports have an effective expiry date and renewals and second passports are another indirect tax

Environmental taxes



The following are applied with regard to the environmental taxes and levies
 Plastic bag levy of 12c per bag
 Electricity levy on electricity generated from non-renewable sources of 3.5c per kw
 Incandescent bulb tax of R8 per bulb
 CO₂ tax on motor vehicles of R110 per vehicle and R150 for double cab vehicles

Toll roads and Sanral (if they pay) cover the following routes



Toll roads are a daily occurrence on local highways and a trip to Durban is an additional R 254.00 one way
 Johannesburg to Cape Town would be an additional R 183.00 one way and the most expensive toll route would be the Pretoria to Beit Bridge at R263.00 one way

The final straw is investments made by both of our two individuals which will attract the following:-

- Any donations made will be taxed or have interest charged at an annual rate of 8%
- If he invests into a second property, he is liable for tax on the rental income and CGT when he disposes of the property
- Dividend taxes are currently based at 20%
- His post tax investments will have an element of Capital gains and dividend tax
- His Living annuity on retirement will be taxed as income even though it was created with post tax money
- Any trust he enters into will be subject to the SARS return and scrutiny

In conclusion, PAYE we pay is the tip of the proverbial iceberg and in reality, we are almost certainly paying upwards of 45% if we fall into the first three tax brackets.

There is also ways that an individual can reduce their basic tax liability which will we cover in future articles.