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Exploring Some Of The Taxes We Pay In South Africa



Taxes play a fundamental role in funding essential public services, infrastructure development and socio-economic programs in any country. In South Africa, a progressive tax system ensures that citizens contribute to the nation's growth and development according to their means.

This article aims to shed light on the real taxes paid by individuals and businesses in South Africa.

Personal tax

The cornerstone of South Africa's tax system is personal tax. It is a tax imposed on the earnings of individuals and is collected by the South African Revenue Service (Sars). Personal income tax rates are progressive, meaning higher income earners pay a larger proportion of their income as tax. The tax rates are divided into different brackets, ranging from 18% for lower-income earners to 45% for those in the highest bracket.

Value Added Tax (Vat)

Vat is a consumption-based tax imposed on the sale of goods and services. Currently set at 15%, Vat is applicable to most goods and services, with a few exemptions for essential items like basic foodstuffs and some healthcare services. Vat is collected by businesses on behalf of the government and the burden ultimately falls on the end consumer.

Corporate income tax

Corporate income tax is levied on the profits earned by companies operating in South Africa. The current tax rate is 27%, with certain incentives and deductions available to encourage investment, job creation, and economic growth. This tax revenue contributes significantly to the government's funds for public expenditure and development initiatives.

Capital gains tax (CGT)

CGT is imposed on the profits realised from the sale or disposal of certain assets, such as property, shares, and other investments. The tax is calculated based on the capital gain, which is the difference between the selling price and the original purchase price. The rate of CGT for individuals is determined by their annual income, while companies are subject to a flat rate of 21.6%

Dividends tax

Dividends tax is a tax on shareholders' earnings from dividends declared by companies. It is deducted from the amount paid as a dividend and is currently set at 20%. The tax ensures that individuals and entities receiving dividends contribute their fair share to the nation's revenue.

Customs and excise duties

Customs and excise duties are imposed on imported goods, alcohol, tobacco, and fuel products. These taxes are designed to protect local industries, regulate consumption, and generate revenue for the government. The rates vary depending on the type of product and its value, with the aim of balancing economic considerations and societal welfare.

Pay-as-you-earn (PAYE)

PAYE is a system that allows employers to deduct income tax from employees' salaries monthly. Employers are responsible for calculating and remitting the correct amount of tax to Sars on behalf of their employees. PAYE ensures that individuals meet their tax obligations promptly, avoiding the need for a significant lump sum payment at the end of the year.

In addition to the aforementioned taxes, it is important to note that there are other taxes and levies that individuals pay in South Africa. [According to a report by BusinessTech](#), here are 13 additional taxes applied to various goods and services:

- Fuel Levy: This tax is applied to the price of petrol and diesel and contributes to the funding of road infrastructure projects.
- Road Accident Fund (RAF) Levy: The RAF levy is collected on fuel and serves to fund compensation for victims of road accidents.
- Skills Development Levy: Employers are required to pay a 1% levy on the total salaries of their employees to support skills development initiatives.
- Unemployment Insurance Fund (UIF) contributions: Both employees and employers contribute to the UIF, which provides financial support to employees who become unemployed.
- Plastic Bag Levy: A levy of 25 cents is imposed on every plastic bag distributed by retailers, aimed at discouraging plastic bag usage and promoting environmental sustainability.
- Environmental Levy on Tyres: A levy is charged on every new tyre sold to fund the recycling and safe disposal of used tyres.
- Sugar Tax: A tax on sugar-sweetened beverages to discourage excessive consumption and address health concerns related to obesity and non-communicable diseases.
- Electricity Levy: A levy imposed on electricity consumption to fund renewable energy projects and encourage energy efficiency.
- TV Licence Fee: Households with television sets are required to pay an annual licence fee to support the operations of the South African Broadcasting Corporation (SABC).
- Import Duties: Taxes imposed on imported goods to protect local industries and regulate international trade.
- Estate Duty: A tax levied on the total value of an individual's assets upon their death, excluding certain exemptions and deductions.
- Donations Tax: A tax imposed on the transfer of assets by way of donation or gift, subject to certain exemptions and thresholds.
- Airport Tax: 'Airport taxes' is a term that is frequently used to refer to all fees, costs, and taxes that are recovered through the purchase of an airline ticket, giving the impression that 'airport taxes' belong to Airports Company South Africa. One of the fees obtained through the purchase of an airline ticket is the passenger service fee. National Treasury mandates that these fees be divided between taxes, regulated fees, non-regulated fees, and airline costs.

South Africa's tax system is a complex framework that ensures the government can finance public services, stimulate economic growth, and address social challenges. From income tax to donation tax, the various taxes in South Africa play a vital role in shaping the country's fiscal landscape. Understanding these taxes helps citizens

comprehend their financial obligations and the broader impact of taxation on society. By fulfilling their tax responsibilities, individuals and businesses contribute to the development and welfare of the nation.

Global & Local Investment Advisors, whilst having extensive knowledge of tax, are not registered tax practitioners. Should you require more in-depth information or tax advice, we would suggest that you contact a tax practitioner.



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