2015 MAIN BUDGET TAX PROPOSALS IN A NUTSHELL

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Personal income tax bands except for the lowest i.e. relating to taxable incomes in excess of R181 900, will increase by 1%.

The **trust tax rate** will also increase by 1% to 41%.

The **bands and rebates** will be all be adjusted by 4.2% to take partial account of fiscal drag.

Base erosion and profit shifting measures include improvements to transfer pricing documentation and reporting and changes to the rules for controlled foreign companies and the digital economy. This probably means that transfer pricing documentation and country-by-country reporting will be made compulsory.

As is usual, **excise duties on alcoholic beverages and tobacco** will increase by more than inflation on the whole, although some relief is proposed relating to wine-based spirits.

Transfer duty rates will be adjusted such that the duty will not apply to transfers below R750 000. Transfers below R2.3 million will experience a decrease in the duty while the duty on transfers above that amount will increase. These changes will apply to sales of property on or after 1 March 2015.

Fuel taxes will increase from 1 April 2015 by 80.5 cents per litre, comprised of an increase in the general fuel levy of 30.5 cents and an increase in the Road Accident Fund levy of 50 cents.

The **diesel refund system** will be delinked from the VAT system from 1 April 2016, due to certain disproportionate refund claims and the inability of eligible firms to claim.

A **temporary increase in the electricity levy** of 2c per kWh is proposed. The additional revenue will be used to fund the broadening of the energy-efficiency savings tax incentive. Also under consideration is enhancing the accelerated depreciation for solar photovoltaic renewable energy. Loopholes that unduly favour intensive electricity users will be closed and a levy is being considered that would apply to users and exporters of electricity who consume in excess of 800 000 MWH per year.

The **energy efficiency savings tax incentive** will be increased from 45c/kWh to 95 c/kWh.

Measures will be introduced whereby backlogs in the application process for the **research and development incentive** in terms of section 11D will no longer disadvantage taxpayers. The issue of third-party funding for R&D activities will also be considered.

The **industrial policy project incentive** will be extended from 31 December 2015 to 31 December 2017.

The **tax treatment of Government Grants** in terms of section 12P will be reviewed to remove various anomalies.

The **tax rates applicable to micro businesses** on the turnover tax regime i.e. qualifying turnover of under R1 million per year, are decreased significantly.

Section 9D controlled foreign company diversionary rules will be amended to reinstate rules applicable to the sale of goods by a CFC to a South African resident connected person. This is somewhat confusing as these rules are already in place. It may be that sales of goods by a South African resident connected person to the CFC will be subject to specific anti-diversionary rules.

The **definition of 'immovable property'** for purposes of section 2(2) of the Eighth Schedule will be aligned with that in the OECD's Model Tax Treaty, specifically to clarify that South Africa would reserve the right to tax the disposal of a right to work mineral deposits by a non-resident.

Section 6quin which allows South African residents to obtain a credit for **foreign withholding taxes** suffered on South African sourced service fees is to be withdrawn. The compliance burden to SARS and taxpayers is considered to be too high and some taxpayers are exploiting the relief.

The 'loophole' whereby individuals could deplete their estates for **estate duty** purposes by contributing large lump sum contributions to a retirement annuity fund before death will be addressed.

Unlisted Real Estate Investment Trusts ('REITs') will qualify for the same treatment as listed REITs once the former become regulated. A regulatory framework for unlisted REITs is to be developed.

The **Carbon Tax** will be implemented. A draft Carbon Tax Bill will be published later in 2015 and be subject to a further period of consultation.

A **tyre levy** is proposed with effect from the last quarter of 2015.

It appears that the **taxation of share incentive schemes** in terms of section 8C of the Act will be significantly amended to 'remove anomalies'. Areas mentioned are 'the taxation of directors and employees on the vesting of equity instruments; the attribution of capital gains to beneficiaries; income tax exemption of dividends and the employees' tax provision related to the return of capital.'

Non-residents who move to South Africa for fixed term employment and who join a **retirement annuity fund** are currently not allowed to fully cash in their retirement interests when they return to their home country. It appears that this treatment will be reviewed.

Ends