

## **Individual Tax Rates – 2013**

Following the budget speech on the 22<sup>nd</sup> of February, the following tax changes in regards to personal income tax have been brought into effect by the Minister of Finance. These amendments are effective as from the 1<sup>st</sup> of March 2012 and we have detailed them below for ease of reference.

### ***Salaried employees***

Salaried taxpayers pay income tax on an on-going basis via deduction from their salaries or wages per pay period. This amount payable to SARS, called “PAYE” or “Pay as you earn”, is deducted from an employee’s salary or wage according to the tax tables supplied by SARS. These are based on the current prevailing tax rates.

The onus is on the employer to ensure that he is registered for PAYE, that the correct amount is deducted from each employee every month and that the PAYE, along with the Unemployment Insurance

The amount of income tax to be deducted from remuneration paid or payable to an employee is calculated on an amount known as the “balance of remuneration” or the “taxable income”, and this amount is calculated by taking the employee’s salary and deducting all the allowable deductions (detailed below):

- Allowable medical scheme fees tax credit (rebate) in respect of employees below 65 years of age;
- Allowable pension and/or retirement annuity fund contributions;
- Allowable premiums in terms of certain insurance policies;
- Allowable contributions to a registered medical scheme (in respect of persons over the age of 65);
- Allowable donations made by the employer on behalf of an employee.

It must be noted that the medical scheme contribution deduction for employees that are 65 years and older is still applicable.

### ***Statutory rates applicable to individuals are:***

<b><i>Taxable Income</i></b>	<b><i>Rates of Tax</i></b>
R0 > R160,000	18% of each R1
R160,000 > R250,000	R28,800 + 25% of the amount above R160,000

R250,001 > R346,000	R51,300 + 30% of the amount above R250,000
R346,001 > R484,000	R80,100 + 35% of the amount above R346,000
R484,001 > R617,000	R128,400 + 38% of the amount above R484,000
R617,000 and above	R178,940 + 40% of the amount above R617,000

**Tax rebates applicable to individuals are:**

- Primary rebate R11 440 (2011: R10,755)
- Secondary rebate (for persons 65 years and older) R 6 390 (2011: R6,012)
- Tertiary rebate (for persons 75 years and older) R 2 130 (2011: R2,000)

Tax thresholds applicable to individuals (excluding the allowable medical scheme fees tax credit) are:

- Persons under 65 years R 63 556 (2011: R59,750)
- Persons 65 years and older R 99 056 (2011: R93,150)
- Persons 75 years and older R110 889 (2011: R104,261)

Where an employee receives net remuneration from standard employment and is not employed by the employer for the full year of assessment, the annual equivalent of the remuneration must be determined to establish whether such employee falls above the tax threshold - the annual equivalent is in essence a calculation of what that individual, at his or her current rate of remuneration, would earn if he or she was theoretically employed for a full year.

***Site Tax***

Please note that with effect from the 1<sup>st</sup> of March 2013, the 2014 year of assessment, SITE tax will no longer be applicable as the tax threshold will exceed the R60,000 site tax limit.

Please refer to our newsletter entitled “Changes pertaining to Medical Scheme Contributions” for a detailed review of these legislative changes.