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The Users of Statutory Rates of Tax

South African Revenue Service
Pretoria Head Office
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Dear Sir / Madam

THE STATUTORY RATES OF TAX: 2010 YEAR OF ASSESSMENT

- In his Budget Speech on 11 February 2009, the Minister of Finance proposed new tax rates, tax rebates for individuals, as well as other thresholds for the 2010 year of assessment. These changes will come into effect from 1 March 2009. We have listed below details of these proposals in order to assist you with updating your payroll systems in the coming tax year:

1. RATES OF TAX: 2010 YEAR OF ASSESSMENT

- The amount of employees' tax to be deducted from remuneration paid or payable to employees is calculated on the balance of remuneration, after the deduction of:
 - allowable pension and / or retirement annuity fund contributions;
 - allowable premiums in terms of certain insurance policies;
 - allowable contributions to a registered medical scheme; and
 - allowable donations made by the employer on behalf of an employee (see 2 below for more detail).
- **Statutory rates applicable to individuals are:**

Taxable Income		Rates of Tax			
R	R	R			R
0	— 132 000			18% of each R1	
132 001	— 210 000	23 760	+	25% of the amount above	132 000
210 001	— 290 000	43 260	+	30% of the amount above	210 000
290 001	— 410 000	67 260	+	35% of the amount above	290 000
410 001	— 525 000	109 260	+	38% of the amount above	410 000
525 001	and above	152 960	+	40% of the amount above	525 000

- **Tax rebates applicable to individuals are:**
 - Primary rebate R9 756
 - Additional rebate (for persons 65 years and older) R5 400

- **Tax thresholds applicable to individuals are:**

- Persons under 65 years R54 200
- Persons 65 years and older R84 200
- 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 employee's remuneration must be determined to establish whether such employee falls above the tax threshold.

- **Rates applicable to personal service providers:**

- Companies: Employees' tax must be deducted at a flat rate of 33%.
- Trusts: Employees' tax must be deducted at a flat rate of 40%.

2. ALLOWABLE DONATIONS

- With effect from 1 March 2009 an employer must take into account donations deducted from the remuneration of an employee and paid over by the employer to the relevant organisation for purposes of calculating the balance of remuneration.
- There are two requirements which are applicable to such an employer before the donation may be taken into account, namely –
 - the allowable amount may not exceed 5% of that employee's remuneration after deducting the other allowable deductions, and
 - the relevant organisation must issue a section 18A(2)(a) tax receipt to the employer for such donation(s) received from the employer.
- The full amount of the donation deducted from the remuneration of the employee must be reflected in the IRP 5 / IT 3(a) tax certificate to be issued to such employee and not just the portion allowed as a deduction.
- A new code 4030 has been introduced to accommodate the reporting of the donation deducted from the employee's remuneration on the IRP 5 / IT 3(a) tax certificate. Validation rules for code 4030 are:
 - Numeric field
 - Maximum characters may not exceed 11
 - Cents must be omitted (decimal in amount is invalid)
 - No negative amounts are allowed
 - Must be right aligned
 - Only valid from the 2010 tax year
 - Format in respect of CSV data files is:
code , , amount

3. TRAVELLING ALLOWANCES

- It is deemed that the first 18 000 kilometers are traveled for private purposes and the balance, not exceeding 14 000 kilometers, are traveled for business purposes, of the actual distance traveled during the 2010 year of assessment in the absence of a log book.
- The portion of the fixed travel allowance which is subject to the deduction of employees' tax remains unchanged at 60%.
- The rate per kilometer which may be used in determining the allowable deduction for business travel where no record of actual costs was kept, remains unchanged.
- The rate per kilometer which is used for allowances or advances based on actual distance traveled for business purposes remains unchanged (R2,92 per kilometer).

4. RIGHT OF USE OF A MOTOR VEHICLE

- The percentages to determine the monthly taxable value in respect of use of a motor vehicle remains unchanged (i.e. 2,5% and 4% respectively).
- The percentages which may be used to reduce these percentages where the employee bears the cost of all fuel for private use or the full cost of maintenance also remains unchanged (i.e. 0,22% and 0,18% respectively).

5. INTEREST RATES EFFECTIVE FROM 1 SEPTEMBER 2008

- The official rate of interest used for fringe benefit purposes remains at 13%.
- The prescribed rate of interest on the late or underpayment of employees' tax, SDL and UIF is currently 15% per annum, but will reduced with effect from 1 May 2009 to 13,5%.

6. MEDICAL SCHEME CONTRIBUTIONS

- The capped amount to be used to determine the medical contribution portion which may be deducted from the remuneration of the employee before employees' tax is determined, will increase with effect from 1 March 2009 as follows:
 - R 570 increase to R 625
 - R1140 increase to R1250
 - R 345 increase to R 380
- The prescribed amount which is used to determine the taxable fringe benefit portion where the employer has paid medical scheme contributions on behalf of the employee will also increase with effect from 1 March 2009 to the same amount as the capped amount for deduction purposes (see above).

7. LUMP SUM BENEFITS

- Amendments to the Second Schedule to the Income Tax Act, No. 58 of 1962, relating to lump sum benefit payments on withdrawal (e.g. resignation, transfer, etc.), have been made with effect from 1 March 2009.
- A new code 3920 has been introduced to accommodate the reporting of retirement fund lump sum withdrawal benefits on the IRP 5 / IT 3(a) tax certificate. Validation rules for code 3920 are:
 - Numeric field
 - Maximum characters may not exceed 11
 - Cents must be omitted (decimal in amount is invalid)
 - No negative amounts are allowed
 - Must be right aligned
 - Only valid from the 2010 tax year
 - The tax applicable to this lump sum payment must be reflected under code 4115
 - The RF-indicator must be inserted between the code and the amount and may only be Y, J, N or blank.
- Format in respect of CSV data files is:
 - code , , amount
 - code , RF-indicator , amount
- This new code 3920 will replace codes 3902 and 3904 in respect of retirement fund lump sum withdrawal benefits with effect from 1 March 2009.

- The description of code 3920 will be “Retirement fund (pension / RAF / provident fund) lump sum withdrawal benefits on or after 1 March 2009 (PAYE)”.

8. SUBSISTENCE ALLOWANCES

- Where the recipient is obliged to spend at least one night away from his / her usual place of residence on business and the accommodation to which that allowance or advance relates, is in the Republic and the allowance / advance is paid or granted to pay for:
 - meals and incidental costs, an amount of R260 per day is deemed to have been expended; or
 - incidental costs only, an amount of R80 per day is deemed to have been expended.
- Where the accommodation to which that allowance / advance relates, is outside the Republic, the daily amount deemed to be expended will be an amount applicable to each country.
- Please refer to the list attached to this notice which contains the maximum daily amounts deemed to have been actually expended per country.

9. RECONCILIATION DECLARATION

- A set of incremental changes is proposed to underpin the SARS modernisation agenda. These measures will allow for continued progress in the reform of personal income tax collection and lay the groundwork for a future social security tax. The proposed changes are:
 - The introduction of enabling provisions to:
 - require employer reconciliations of employees’ tax more frequently than once a year; and
 - include Skills Development Levies and UIF contributions.
 - Reinstatement of employers’ obligation to:
 - obtain and maintain certain employee data (previously known as the IRP2 which was in use until 1995); and
 - report this data to SARS as and when required.
- Permitting SARS to provide employees’ tax reference numbers and certain other non-financial data to their employers in order to require the relevant information as mandatory information from the employer.
- Information regarding the detailed requirements and implementation dates will be communicated as soon as it becomes available.

10. OTHER PROPOSED CHANGES

- Proposals to change the following were also included in the 2009 Budget documents. Detail of these changes and the implementation dates thereof will be communicated in due course.

10.1 RETIREMENT ANNUITY FUND CONTRIBUTIONS

- It is proposed that retirement annuity fund contributions, which are paid directly by the employer for the benefit of employees, should be deductible, subject to existing limits, as contributions made directly by the employee.
- These contributions made by the employer are currently included as a fringe benefit in the remuneration of the employee (e.g. payment of an employee’s debt).

10.2 ROUNDING OFF OF EMPLOYEES' TAX

- To further simplify the income tax return process, the rounding off of employees' tax, and tax calculated to the nearest rand, is proposed.
 - This proposed change will impact the:
 - Monthly EMP 201 return
 - Reconciliation declaration (EMP 501)
 - IRP 5 / IT 3(a) employees tax certificate.

If you have any further queries, call our help desk on 0800 00 7277.

Yours sincerely

**HEAD: SARS POLICY AND PROCEDURE
ANNEXURE: SUBSISTENCE ALLOWANCE (FOREIGN TRAVEL) – LIST OF DAILY
MAXIMUM AMOUNT PER COUNTRY WHICH IS DEEMED TO BEEN EXPENDED**

Country	Currency	Maximum amounts in terms of sect. 8(1)(c)(ii)
Albania	Euro	97
Algeria	Euro	136
Angola	US \$	191
Antigua and Barbuda	US \$	220
Argentina	US \$	75
Armenia	US \$	279
Austria	Euro	108
Australia	Australian \$	175
Azerbaijani	US \$	145
Bahamas	US \$	191
Bahrain	B Dinars	36
Bangladesh	US \$	79
Barbados	US \$	202
Belarus	Euro	117
Belgium	Euro	124
Belize	US \$	152
Benin	Euro	89
Bolivia	US \$	53
Bosnia-Herzegovina	Euro	112
Botswana	Pula	799
Brazil	US \$	133
Brunei Darussalam	US \$	88
Bulgaria	Euro	89
Burkina Faso	Euro	100
Burundi	US \$	138
Cambodia	US \$	90
Cameroon	Euro	100
Canada	Canadian \$	156
Cape Verde Islands	Euro	88
Central African Republic	Euro	96
Chad	Euro	121
Chile	US \$	105
Colombia	US \$	94
Comoros	Euro	85
Cook Islands	New Zealand \$	391
Cote D'Ivoire	Euro	124
Costa Rica	US \$	62
Croatia	Euro	105
Cuba	Euro	107

Country	Currency	Maximum amounts in terms of sect. 8(1)(c)(ii)
Cyprus	Euro	116
Czech Republic	Euro	80
Democratic Republic of Congo	US \$	193
Denmark	Euro	185
Djibouti	US \$	99
Dominican Republic	US \$	99
Ecuador	US \$	92
Egypt	US \$	90
El Salvador	US \$	80
Equatorial Guinea	Euro	130
Eritrea	US \$	106
Estonia	Euro	91
Ethiopia	US \$	65
Fiji	US \$	100
Finland	Euro	140
France	Euro	149
Gabon	Euro	228
Gambia	Euro	110
Georgia	US \$	261
Germany	Euro	107
Ghana	Euro	110
Greece	Euro	114
Grenada	US \$	151
Guatemala	US \$	85
Guinea	Euro	78
Guinea Bissau	Euro	59
Guyana	US \$	118
Haiti	US \$	109
Honduras	US \$	67
Hong Kong	Hong Kong \$	1,000
Hungary	Euro	80
Iceland	ISK	30,320
India	US \$	139
Indonesia	US \$	86
Iran	US \$	67
Iraq	US \$	125
Ireland	Euro	233
Israel	US \$	122
Italy	Euro	120

Country	Currency	Maximum amounts in terms of sect. 8(1)(c)(ii)
Jamaica	US \$	151
Japan	Yen	18,363
Jordan	US \$	128
Kazakhstan	US \$	103
Kenya	US \$	102
Kiribati	Australian \$	233
Korea	WON	145,574
Kuwait	US \$	152
Kyrgyzstan	US \$	196
Laos	US \$	100
Latvia	Euro	74
Lebanon	US \$	120
Lesotho	Rand	750
Liberia	US \$	97
Libya	US \$	111
Lithuania	Euro	154
Macau	Hong Kong \$	1,196
Macedonia	Euro	100
Madagascar	Euro	107
Madeira	Euro	290
Malawi	US \$	70
Malaysia	US \$	308
Maldives	US \$	202
Mali	Euro	101
Malta	Euro	132
Marshall Islands	US \$	255
Mauritania	Euro	178
Mauritius	US \$	215
Mexico	US \$	86
Moldova	US \$	165
Mongolia	US \$	69
Montenegro	Euro	109
Morocco	US \$	106
Mozambique	US \$	69
Myanmar (Burma)	US \$	74
Namibia	Rand	660
Nauru	Australian \$	278
Nepal	US \$	64
Netherlands	Euro	127
New Zealand	New Zealand \$	160

Country	Currency	Maximum amounts in terms of sect. 8(1)(c)(ii)
Nicaragua	US \$	65
Niger	Euro	99
Nigeria	US \$	121
Niue	New Zealand \$	252
Norway	NOK	1,647
Oman	Rials Omani	55
Pakistan	US \$	53
Palau	US \$	252
Panama	US \$	108
Papa New Guinea	Kina	285
Paraguay	US \$	43
People's Republic of China	US \$	157
Peru	US \$	111
Philippines	US \$	92
Poland	Euro	97
Portugal	Euro	113
Qatar	Qatar Riyals	523
Republic of Congo	Euro	149
Reunion	Euro	164
Romania	Euro	78
Russia	Euro	154
Rwanda	US \$	119
Samoa	Tala	243
Sao Tome	Euro	86
Saudi Arabia	Saudi Riyal	431
Senegal	Euro	150
Serbia	Euro	95
Seychelles	Euro	275
Sierra Leone	US \$	90
Singapore	Singapore \$	180
Slovakia	Euro	81
Slovenia	Euro	73
Solomon Islands	Sol Islands \$	811
Spain	Euro	109
Sri Lanka	US \$	74
St. Kitts & Nevis	US \$	227
St. Lucia	US \$	215
St. Vincent & The Grenadines	US \$	187
Sudan	US \$	121

Country	Currency	Maximum amounts in terms of sect. 8(1)(c)(ii)
Suriname	US \$	107
Swaziland	Rand	411
Sweden	Swedish Krona	843
Switzerland	S Franc	230
Syria	US \$	98
Taiwan	New Taiwan \$	3,628
Tajikistan	US \$	117
Tanzania	US \$	85
Thailand	Thai Baht	3,050
Togo	Euro	78
Tonga	Pa'anga	174
Trinidad & Tobago	US \$	213
Tunisia	Tunisian Dinar	108
Turkey	US \$	125
Turkmenistan	US \$	125
Tuvalu	Australian \$	339
Uganda	US \$	78
Ukraine	Euro	131
United Arab Emirates	Dirhams	410
United Kingdom	B Pounds	107
Uruguay	US \$	91
USA	US \$	157
Uzbekistan	US \$	116
Vanuatu	US \$	131
Venezuela	US \$	117
Vietnam	US \$	88
Yemen	US \$	94
Zambia	US \$	119
Zimbabwe	US \$	264
Other countries not listed	US\$	215