YOUR OASIS

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VIEWS FROM OUR CEO

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Commentators have repeatedly referred to the balancing act that was performed through the tax proposals announced in the Budget, but how does that translate into rands and cents for you?

VAT

Let's start with the major tax proposal – an increase in the value-added tax ("VAT") rate from 14% to 15% from 1 April 2018. It is anticipated that this will raise R22.9 billion in revenue; a significant portion of the budgeted revenue shortfall of R48.2 billion for 2017/2018. While the increase was widely anticipated and considered unavoidable, it caused consternation for many tax-payers, leaving them wondering how the increase would impact their disposable income. It warrants mention that South Africa's increased VAT rate is lower than global and African averages; and we should not forget the 19 basic food items which are zero-rated for VAT purposes (including various grains; all fruit and vegetables; milk products; vegetable oil; pilchards; and eggs). The zero-rated food items, together with the proposed zero-rating of items of necessity such as sanitary towels, goes some way to refute the argument that increasing the VAT rate would have a regressive impact upon the most financially vulnerable in South African society.

The increase in the VAT rate will also be counter-balanced by an above inflation adjustment to social grants. Old age, disability and care dependency grants will increase on 1 April 2018 from the current R1,600 to R1,690; and by a further R10 to R1,700 on 1 October 2018; and child support grants will increase from the baseline of R380 to R400 on 1 April 2018; and to R410 on 1 October 2018. Approximately 17 million South Africans are supported by social grants.

FEE-FREE TERTIARY EDUCATION

R324 billion has been allocated to expenditure on higher education over the next three years, including an additional R57 billion to cover fee-free tertiary education. This constitutes significant progress towards breaking the cycle of poverty and tackling youth unemployment. The cost of tuition for new first year students attending universities and Technical and Vocational Education and Training colleges from households with a combined annual income of R350,000 or less, will be fully funded; and returning students on the National Student Financial Aid Scheme will have their loans converted to bursaries from 2018 onwards.

PERSONAL INCOME TAX

Regarding personal income tax, with effect from 1 March 2018, lower than inflation (approximately 3%) adjustments will be made to the bottom three personal income tax brackets. This means that if you earn up to R423,300 per annum and you receive an inflationary remuneration increase; you will effectively incur the tax rate of a higher tax bracket only to the extent of the difference between the lower than inflation adjustment, and the rate of inflation. This will give individuals earning up to R423,300 annually some measure of protection against bracket creep. Taxpayers earning in excess of R423,300 per annum, will be exposed to bracket creep.

TAX THRESHOLDS

Tax thresholds have been increased across the various taxpayer age groups meaning that if you are younger than 65, the first R78,150 of your income will be exempt from income tax; if you are between the ages of 65 and 75, the first R121,000 of your income will be exempt from tax; and if you are 75 or older; the first R135,300 of your income will be exempt from income tax.

TAX REBATES

The primary, secondary and tertiary annual rebates, which you deduct from your tax liability, have also been partially adjusted for inflation and increased as follows:

R14,067 for all individuals;

R 7,713 for taxpayers aged 65 and older; and

R 2,574 for taxpayers aged 75 and older.

To illustrate, a 65 year old taxpayer will be entitled to deduct R21,780 (primary + secondary rebates), from his/her tax liability, while a 75 year old taxpayer will be entitled to deduct R24,354 (primary + secondary + tertiary rebates) from his/her tax liability.

DWT

If you earn dividend income from a South African resident company or a foreign company, such dividend income remains subject to dividend withholding tax ("DWT") of 20% on the dividend paid (unless you hold in excess of 10% of the equity in the foreign company, in which case you may either qualify for a reduction in the rate of; or a complete exemption from DWT).

TAX-FREE SAVINGS ACCOUNT

Since Treasury introduced tax free savings in 2015, many South Africans have benefitted from the merits of this product. Over the next year, your annual contribution of R33, 000 up to your life time limit of R500, 000 remains unchanged. All returns earned in a tax free savings product are free of income tax and capital gains tax. Opening a tax free savings account to include as part of your overall savings portfolio is fundamental and one of the smartest decisions you will make when building your wealth. Oasis and our network of financial advisors will assist you with opening a tax free savings account, if you have not already done so, and guide you through the process of investing with one of the Oasis social and ethical tax free savings products.

Remember to look out for the next Your Oasis publication in which we will cover the tax treatment of both employer and retirement lump sums and address the amendments in the tax treatment of retirement benefits that may impact upon how you elect to invest your retirement benefit.

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