# Budget Update for South African Expatriates – March 2018

**For distribution to authorised financial advisers only**

**With the 2018/19 tax year having started on 1 March 2018, what follows are some of the key proposals for South African expatriates to consider from the February 2018 budget.**

## General

There were no announcements in the South Africa Budget 2018 that would have an adverse impact on Friends Provident International's propositions for South African expatriates.

## Income Tax

It is proposed that the 45% rate of income tax that was introduced last tax year remains in place as does its SAR 1.5m threshold. The proposal is that none of the top four personal income tax brackets will be adjusted for inflation, while the lower tax brackets will receive below-inflation increases.

## Estate Duty

The Minister of Finance proposed an increase in estate duty to 25% on estates worth more than SAR 30m from 1st March 2018. The rate would remain at 20% for smaller estates.

## Donations Tax

Consistent with the increase in estate duty, the rate of donations tax will also increase to 25%, for donations which exceed SAR 30m in any one year (effective from 1st March 2018).

## Pensions and retirement

It is proposed to allow transfers to pension and provident preservation funds after retirement. Such transfers were excluded from the 2017 amendments, which allowed transfers to be made from a pension or provident fund to a retirement annuity fund after an employee's retirement date.

The government will consider aligning the tax treatment of different types of retirement fund withdrawals where an individual formerly emigrates.

It is proposed that there be a review of how South African double tax treaties interact with the income tax exemption for retirement benefits from a foreign source for employment rendered outside of the country, with the aim that contributions are only deductible where the benefits are taxable.

An anomaly in the legislation which taxes members on transfers between retirement funds with the same employer will be rectified retrospectively.

## Trusts

A rule will be introduced to make clear who has to withhold tax where interest is paid to a non-resident beneficiary.

## Indirect taxation

As part of the plan to generate an additional SAR 36 billion in tax revenue, it is proposed that VAT is increased from 14% to 15%, ad valorem excise duty on luxury goods is increased from 7% to 9% and tobacco, alcohol and fuel duties will also rise.

## Tax administration

The government has said that it will respond to the Commission's report on tax administration this year and introduce draft legislation. The President will establish a commission of inquiry into the functioning and governance of the South African Revenue Service (SARS).

It is proposed that a person who receives a tax-exempt dividend will no longer need to submit a return.

**The above information is based on the proposals in the South Africa Budget of 21st February 2018 which are not guaranteed to become law.**