

HOW THE 2017/2018 BUDGET WILL HURT YOU

South Africans are always concerned at Budget time as to how the government deficit will be found. This year it was announced that the Minister is seeking to raise an additional R28 billion from South African tax payers - not a trivial amount!

David Knott of PC Trust, a division of Private Client Holdings, advises that a new rate of income tax - a 45% "super tax" - is to be introduced to those tax payers with a taxable income above R1,5 million.

"Whilst this may at first glance seem to gather in a substantial additional revenue, in actual fact the numbers of tax payers in this bracket is comparatively small, meaning the bulk of additional income tax will come from the middle earners, as usual. We are all going to face an increased tax liability in the coming year having only fiscal drag on our side," says Knott, who goes on to further explain that the dividends withholding tax will also be raised from 15% to 20%, affecting many retirees. As the economic outlook is not hugely bullish, company profits are unlikely to increase to offset the additional tax payable."

"Once again, the so called "sin taxes" - those on alcohol and tobacco - will be raised by between 6% and 10%."

"Unsurprisingly, fuel has to be targeted once again, with the fuel levy adding an additional 30c/l whilst the Road Accident Fund an additional 9c/l. This fuel increase will of course be passed on by producers to consumers which will affect your monthly expenditure and the inflation rate."

According to Knott, a voluntary disclosure plan has been opened to run until August of this year to allow those with undisclosed foreign assets to come clean. Many international tax sharing agreements are due to be signed in September which will give SARS greater investigative powers to clamp down on those guilty tax payers. Tax payers are encouraged to take advantage of this plan.

"A glimmer of encouragement is the increase of the tax free interest limit from R30,000 to R33,000 and for those about to assist a child or grandchild with the purchase of a flat

or cottage, the transfer duty free ceiling has been shifted from R750,000 to R900,000," advises Knott.

Contrary to expectation, nothing was said regarding the Davis Committee recommendations regarding changes to estate duty, donations between spouses and the taxation of interest free loans to inter vivos trusts. However, Knott cautions that a draft Bill was published a few months back and that changes could still be on the horizon, although in exactly what form remains unclear.

"Generally, the Budget was fair as it was delivered in a difficult financial period but not enough has been articulated as to how unauthorised and unnecessary Government expenditure is to be stamped out. Almost daily one reads about Government waste and fraud but nothing comes of investigation and punishment."

Ends