



INFORMANT

NEWSLETTER FOR PENSIONERS
MARCH 2018

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Your Retirement - Our Passion

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BUDGET 2018/2019 HIGHLIGHTS

The Minister of Finance delivered the National Budget Speech to Parliament on 21 February 2018. This article summarises the possible impact that the tax proposals may have on your personal household budget.

Value Added Tax (VAT)

For the first time since 1993, Government is increasing the VAT rate from 14% to 15%. This takes effect on 1 April 2018. This increase will not impact the exemption on fuel or the zero-rated basic food items.

Pensioners are reminded that the list of zero rated items includes the following:

- brown bread, excluding rye and low GI breads
- maize meal
- samp
- mealie rice
- brown wheaten meal
- dried mealies
- dried beans
- lentils
- pilchards or sardinella in tins or cans
- rice
- fresh fruit and vegetables
- vegetable oil
- milk, including powder milk and cultured milk
- eggs
- edible legumes.

Personal Income Tax

Limited “bracket-creep” tax relief for lower income earners is incorporated in the revised tax tables. The following tax table applies from **1 March 2018** and will be implemented by Sentinel with effect from the March 2018 pensioner pay date:

Taxable Income	Rate of Tax
R0 to R195,850	18% of each R1
R195,881 to R305,850	R35,253 plus 26% of the amount above R195,880
R305,851 to R423,300	R63,853 plus 31% of the amount above R305,850
R423,301 to R555,600	R100,263 plus 36% of the amount above R423,300
R555,601 to R708,310	R147,891 plus 39% of the amount above R555,600
R708,311 to R1,500,000	R207,448 plus 41% of the amount above R708,310
R1,500,001 and above	R532,041 +45% of the amount above R1,500,000

Tax thresholds determine the **taxable income** levels where individuals, in different age groups, start paying tax. The primary rebate (all taxpayers) is also reflected below.

Age category	Total Rebate Value	Annual Tax Threshold
Below 65	R14,067	R78,150
65 to 74	R21,780	R121,000
75 and older	R24,354	R135,300

The following table illustrates the anticipated tax reductions that can be expected as a result of limited “bracket creep” adjustments, and also reflects the average tax rates payable by individual taxpayers:

Annual Taxable Income	Younger than 65		Aged 65 to 74		Aged 75 plus	
	Annual tax reduction	Average tax rate	Annual tax reduction	Average tax rate	Annual tax reduction	Average tax rate
R85,000	-R432	1.5%				
R120,000	-R432	6.3%	-R484	0.0%		
R150,000	-R432	8.6%	-R664	3.5%	-R747	1.8%
R200,000	-R910	11.1%	-R1,142	7.3%	-R1,225	6.0%
R300,000	-R1,083	16.1%	-R1,314	13.5%	-R1,398	12.7%
R400,000	-R1,375	19.7%	-R1,607	17.8%	-R1,690	17.2%
R500,000	-R2,017	22.8%	-R2,249	21.2%	-R2,332	20.7%
R750,000	-R2,017	28.1%	-R2,249	27.0%	-R2,332	26.7%
R1,500,000	-R2,017	34.5%	-R2,249	34.0%	-R2,332	33.8%
R2,000,000	-R2,017	37.1%	-R2,249	36.8%	-R2,332	36.6%

Pensioner reminder:

- Pensioners are reminded that the threshold applies to your **total annual taxable income**, not only your Sentinel income. Should your pension be below the threshold and you also receive taxable income from other sources, and this raises your income over the threshold limit, you will be required to pay tax. Sentinel may not deduct additional PAYE from your pension unless you specifically request us to do so.
- Some pensioners may not be familiar with a PAYE deduction from their pension in a specific year, but after a pension increase or annual bonus payment, find that PAYE has been deducted. This occurs in the event that either the pension increase or annual bonus, or both, raises your income over the threshold limit.

Other Tax Matters

Medical Tax Credits on medical aid contributions will increase to R310 (from R303) for the first two dependants and to R209 (from R204) for every dependant thereafter. This below inflation annual adjustment is expected to continue into the future.

Estate Duty will still be levied at a rate of 20% on the first R30 million, where after 25% will be levied on the value above R30 million. The basic deduction (tax free portion) of R3.5 million plus the exempt spouse's accrual remains unchanged.

Donations Tax will be treated in the same manor as Estate Duty, with the first R30 million being taxed at 20% and the value exceeding R30 million being taxed a 25%. The R100,000 annual exemption will still apply.

Dividend tax, which is withheld from dividend payments by dividend-paying companies before dividends are paid to shareholders, remained unchanged at 20%.

The **exemption on interest income** earned has not been changed and remains at R23 800 for those below the age of 65 and R34 500 for those who are 65 and older.

Tax-free savings accounts were introduced on 1 March 2015 to encourage personal savings. Individuals are able to contribute a maximum of R33 000 per year, with a lifetime limit of R500 000 and returns earned in these accounts will not be subject to tax.

There were no changes to the **Capital Gains Tax (CGT)** inclusion rate and the maximum CGT effective rates for individual taxpayers in different tax brackets will remain 18%.

Duties & Levies

Increases in duties and levies that will impact household budgets include:

- **Fuel prices** will increase by 52c/litre (22c/litre on the general fuel levy plus 30c/litre for the Road Accident Fund) from 4 April 2018.
- **Duties on alcoholic beverages and tobacco products** will increase between 6% and 10% with immediate effect, as has become the norm with these “Sin Taxes” since 2002.
- **Tax on sugar-sweetened beverages** will be introduced on 1 April 2018. A policy document will be published shortly.
- **Duties on imported luxury items** (including items such as cellular phones, cosmetics and golf balls) will increase by 2% from between 5% and 7% to between 7% and 9%. On imported motorcars, the rate will increase by 5%, from 25% to 30%. These increases will take effect on 1 April 2018.

Social Grant increases have been announced:

Old age, disability and care dependency grants will increase by R90 per month to R1,690 and the child support grant will increase to R400, effective April 2018. The old age grant for over 75 year old recipients will increase to R1,715 per month. All recipients of social grants will receive an additional R10 increase per month from October 2018.

RETIREMENT REFORM UPDATE

Retirement Reform initiatives will not impact pensioners as these apply mainly to members of Retirement Funds who have not retired yet. However, the following update is shared to keep our Pensioners informed of these developments.

National Treasury published the following Regulations to the Pension Funds Act in August 2017:

- Regulation 37: Default Investment Portfolio(s)
- Regulation 38: Default Preservation and Portability
- Regulation 39: Annuity Strategy

These Regulations will ensure that retirement savings of South Africans are invested in a prudent and cost-effective manner, and that members get better value for their money with the ultimate goal of them being able to retire more comfortably. These Regulations will take effect on 1 March 2019.

Sentinel already complies with most of these Regulations and is currently in the process of drafting amendments to its Rules to ensure compliance.

Sentinel's Contact Details

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