

TAXATION PROPOSALS

INCOME TAX

1. That, subject to the provisions of the Income Tax Act, 1962 (Act No. 58 of 1962) (hereinafter referred to as the principal Act), and of an Act to be passed during the present session of Parliament amending the principal Act and subject to such definitions, conditions, exceptions and exemptions as may be provided in the said Acts, there shall be paid a tax (to be called the normal tax)—

(a) by every person (other than a company) in respect of the taxable income of that person, in respect of the year of assessment ending on 28 February 2007; and

(b) by every company in respect of the taxable income of that company, in respect of every year of assessment of that company ending during the period of twelve months ending on 31 March 2007.

2. That the rates of normal tax payable by persons (other than companies and persons in respect of which paragraph 3 apply) in respect of the taxable income and years of assessment, referred to in paragraph 1(a), shall be as follows:

Taxable Income	Rates of Tax
Where the taxable income—	
Does not exceed R100 000.....	18 per cent of each R1 of the taxable income;
Exceeds R100 000 but does not exceed R160 000	R18 000 plus 25 per cent of the amount by which the taxable income exceeds R100 000;
" R160 000 " " " " R220 000	R33 000 plus 30 per cent of the amount by which the taxable income exceeds R160 000;
" R220 000 " " " " R300 000	R51 000 plus 35 per cent of the amount by which the taxable income exceeds R220 000;
" R300 000 " " " " R400 000	R79 000 plus 38 per cent of the amount by which the taxable income exceeds R300 000;
" R400 000	R117 000 plus 40 per cent of the amount by which the taxable income exceeds R400 000.

3. That the rate of normal tax payable by any trust (other than a special trust), in respect of the taxable income and year of assessment referred to in paragraph 1(a), shall be 40 cents on each rand of taxable income.

4. That the rates of normal tax payable by any company in respect of the taxable income and years of assessment, referred to in paragraph 1(b), shall be as follows:-

(a) on each rand of the taxable income of any company (excluding taxable income referred to in subparagraphs (b), (c), (d), (e), (f), (g) and (h)), 29 cents, or, in the case of such a company which mines for gold on any gold mine and which is in terms of an option exercised by it exempt from the payment of secondary tax on companies, 37 cents;

- (b) in respect of the taxable income of any company which qualifies as a small business corporation as defined in section 12E of the Income Tax Act, 1962, an amount of tax calculated in accordance with the table below:

Taxable Income	Rates of Tax
Where the taxable income—	
Does not exceed R40 000.....	0 per cent of the taxable income;
Exceeds R40 000 but does not exceed R300 000	10 per cent of the amount by which the taxable income exceeds R40 000;
Exceeds R300 000.....	R26 000 plus 29 per cent of the amount by which the taxable income exceeds R300 000.

- (c) on each rand of the taxable income of any employment company as defined in section 12E of the Income Tax Act, 1962, 34 cents;

- (d) on each rand of the taxable income derived by any company from mining for gold on any gold mine with the exclusion of so much of the taxable income as the Commissioner for the South African Revenue Service determines to be attributable to the inclusion in the gross income of any amount referred to in paragraph (j) of the definition of "gross income" in section 1 of the Income Tax Act, 1962, but after the set-off of any assessed loss in terms of section 20(1) of that Act, a percentage determined in accordance with the formula:

$$y = \frac{35 - 175}{x}$$

x

or, in the case of a company which is in terms of an option exercised by it exempt from the payment of secondary tax on companies, in accordance with the formula:

$$y = \frac{45 - 225}{x}$$

x

in which formulae y represents such percentage and x the ratio expressed as a percentage which the taxable income so derived (with the said exclusion, but before the set-off of any assessed loss or deduction which is not attributable to the mining for gold from the said mine) bears to the income so derived (with the said exclusion);

(e) on each rand of the taxable income of any company, the sole or principal business of which in the Republic is, or has been, mining for gold and the determination of the taxable income of which for the period assessed does not result in an assessed loss, which the Commissioner for the South African Revenue Service determines to be attributable to the inclusion in its gross income of any amount referred to in paragraph (j) of the definition of "gross income" in section 1 of the Income Tax Act, 1962, a rate equal to the average rate of normal tax or 29 cents,

whichever is higher: Provided that for the purposes of this subparagraph, the average rate of normal tax shall be determined by dividing the total normal tax (excluding the tax determined in accordance with this subparagraph for the period assessed) paid by the company in respect of its aggregate taxable income from mining for gold on any gold mine for the period from which that company commenced its gold mining operations on that gold mine to the end of the period assessed, by the number of rands contained in the said aggregate taxable income;

- (f) on each rand of the taxable income derived by any company from carrying on long-term insurance business in respect of—
 - (i) its individual policyholder fund, 30 cents; and
 - (ii) its company policyholder fund and corporate fund, 29 cents;
- (g) on each rand of the taxable income (excluding taxable income referred to in subparagraphs (b), (c), (d), (e), (f) and (h)) derived by a company which is not a resident and which carries on a trade through a branch or agency within the Republic, 34 cents;
- (h) on each rand of the taxable income derived by a qualifying company as contemplated in section 37H of the Income Tax Act, 1962, subject to the provisions of the said section, zero cents:

Provided that the tax determined in accordance with any of subparagraphs (a) to (h), inclusive, shall be payable in addition to the

tax determined in accordance with any other of the said subparagraphs.

5. That the rates set forth in paragraphs 2, 3 and 4 shall be the rates required to be fixed by Parliament in accordance with the provisions of section 5(2) of the principal Act.

6. For the purposes of paragraph 4, income derived from mining for gold shall include any income derived from silver, osmiridium, uranium, pyrites or other minerals which may be won in the course of mining for gold, and any other income which results directly from mining for gold.

7. For purposes of these formal proposals, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the principal Act, bears the meaning so assigned.

(15 February 2006)