

# BUDGET 2019

CADIZ ASSET MANAGEMENT INVESTMENT UPDATE



## Budget 2019 in a nutshell

The 2019 national budget speech delivered by Finance Minister Tito Mboweni was largely in line with market expectation, with no major changes on taxation. A senior credit officer at Moody's did however comment the following in a statement after the budget speech, "SA's budget highlights the government's limited fiscal flexibility amid a challenging economic environment. The budget shows a further erosion in fiscal strength after the October medium-term budget policy statement already pointed to wider deficits for longer."

### PERSONAL INCOME TAX

- No adjustments were made to personal income tax brackets, resulting in bracket creep, and potentially adding an additional R12.8 billion in revenue
- The highest tax bracket remains at 45% for individuals earning more than R1.5 million per annum
- Rebates were adjusted marginally as follows:

Rebates	2018/2019	2019/2020
Primary	R14 067	R14 220
Secondary	R7 713	R7 794
Tertiary	R2 574	R2 601

### Dividend withholding tax and interest exemption

- The dividend withholding tax remains unchanged at 20%
- The interest exemption remains R23 800 for taxpayers under the age of 65, and R34 500 for tax payers above the age of 65

### Capital Gains Tax (CGT)

- The capital gains inclusion rate remains unchanged at 40% for natural persons and 80% for companies and trusts
- The annual exclusion remains unchanged at R40 000 and R300 000 at death

Maximum CGT Rates	Rate
Natural Persons & Special Trusts	18.0%
Companies	22.4%
Other Trusts	36.0%

### Retirement funds

- No changes were made to the lump sum rates upon withdrawal or retirement
- Taxpayers are still allowed to deduct retirement fund contributions up to 27.5% of their taxable income
- The cap remains unchanged at R350 000

### Estate duty and donations

- Estate duty remains unchanged at 20% on the first R30 million, increasing to 25% on the value above R30 million
- Tax on donations also remains unchanged, with a rate of 20% on the first R30 million, increasing to 25% on the value above R30 million

### Value Added Tax (VAT)

- The VAT rate remained unchanged at 15%
- Items added to the zero-rated list includes white bread flour, cake flour and sanitary pads, effective 1 April 2019

