CONSEQUENCE

PRIVATE WEALTH

MAXIMISING INCOME THROUGH TAX PLANNING

The following items can **reduce your annual taxable income**:

- **Retirement Annuity Contributions**

15% of all non-pensionable income (i.e. rental income and/or a bonus or 13th cheque that is not already contributing towards a pension or provident fund) may be invested in a retirement annuity and subsequently deducted from annual taxable income. If you aren't contributing to a pension fund at all then 15% of your entire salary is deductible. Contributions can be paid monthly and/or as ad-hoc lump sums to take advantage of the full deduction before the end of the tax year on the 28th of February.

- **Medical Aid Contributions**

Contributions are deductible up to specified capped amounts, as are additional medical expenses not covered by your scheme if they exceed 7.5% of taxable income. A certificate displaying your deductible contributions can be obtained from your medical aid scheme but remember also to hold onto invoices of medical expenses not covered.

- **Income Replacement Disability Insurance Contributions**

This contribution is usually deductible, with claim payments taxed as income. Some insurers do however structure the benefit so that claim payments are tax-free but no deductions on contributions can then be claimed. Each spouse is required to contribute to receive the deduction so if you are both on one policy you are not maximising the deduction.

- **Important deadline dates for individual taxpayers**

Non-Provisional Returns: Manual submission -28th September, Electronic submission- 23rd November

Payment of First Period of Provisional Tax -31st Aug (or within 6 months of start of year of assessment)

Payment of Second Period of Provisional Tax -28th Feb (or last day of year of assessment)

continued on overleaf…

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Email: info@consequence.co.za **Web:** www.consequence.co.za
Consequence Private Wealth (Pty) Ltd (Registration Number 2009/005302/07)
Registered Financial Services Provider: 39659 **Directors**: Michael Furter, Jeff Middelmann

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OTHER ITEMS TO CONSIDER IN YOUR INCOME TAX PLANNING

- **Discretionary Investment Income**

Interest on investments can be distributed, with the first R22,800 (R33,000 if age 65 and older) tax-exempt annually. If units or shares are sold to generate cash there may be Capital Gains Tax (CGT) payable with the first R30,000 worth of gains exempt. Thereafter, the maximum CGT rate for individuals is 13,3% - which is lower than the income tax rate which is applied on interest. Bear in mind that regular monthly payments may be considered income and taxed as such by SARS.

- **Annuity Income**

Income from Living ('Linked') or Guaranteed ('Life') Annuities is included as income for tax purposes. An optimal retirement income strategy should make use of the exemptions mentioned above and also take into account which tax brackets the annuity income falls into.

On the maturity of a Pension, Preservation or Retirement Annuity Fund, 1/3rd of the value may be withdrawn as a lump sum with the remainder purchasing an annuity. The first R315,000 of the withdrawal is tax- free and the first R945,000 is taxed at an effective 15%, which may be a favourable rate for higher earners.

Voluntary Purchase Annuities can also be useful as only a small portion of the income is taxable.

- **Dividend Income**

Dividend Withholding Tax (DWT) recently replaced Secondary Tax on Companies (STC). The impact of this is that tax is still paid at source by the company to SARS on your behalf but the effective amount has increased from 10% to 15%. It is worth noting that within Pension Funds such as Retirement Annuities, no Dividend, Capital Gains or Income Tax is payable at all. One cannot draw an income until 55 but the compounding effect of dividend reinvestment will be significant.

HOW CAN CONSEQUENCE HELP YOU

In partnership with our trusted tax and accounting service partner, Consequence can structure an optimal tax strategy which takes into account your family, businesses, trusts and other entities. Please contact us for a review of all your estate and tax affairs.

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